Northwest Territories Economic Review

2011-12

Northwest Territories Industry, Tourism and Investment

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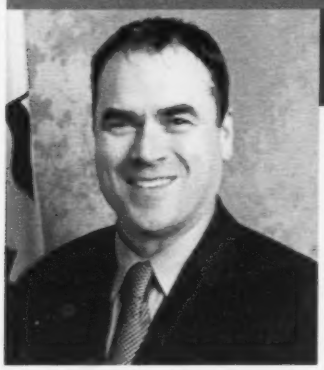


Honourable David Ramsay
Minister of Industry, Tourism and Investment
Government of the Northwest Territories

The Northwest Territories is embarking on an era of opportunity and growth. Global economies are changing, new markets are growing, and international focus is shifting north – and we are poised to take full advantage of this incredible opportunity.

Our vast natural resource base continues to provide the backbone to our territorial economy and provide opportunities to our residents. The NWT exports approximately $3 billion in diamonds and oil annually. However, significant potential remains. Last year industry bid over $500 million in the Sahtu Region for land parcels that will be explored for oil potential.

The rugged, pristine and isolated nature of the Northwest Territories is also a perfect fit for the large and growing international tourism market – tourism contributes $100 million annually to our economy, and, like our resource industry, it is on the brink of tremendous growth.

Our smaller industries are also capitalizing on the unique Northern setting. The film and media industry has expanded significantly in recent years, with a number of national and international productions, including Ice Pilots NWT and Arctic Air, being filmed in the NWT. Our traditional economy and small business sectors remain strong and continue to allow for an economic landscape as diverse and vibrant as our signature aurora.

Canada's North is rapidly positioning itself as a key economic leader of tomorrow, and our territory is poised for great things in the coming years. Our vibrant history and vast potential leave us well positioned to fully realize this immense economic opportunity and bring our unique northern culture to the global forefront.

Introduction

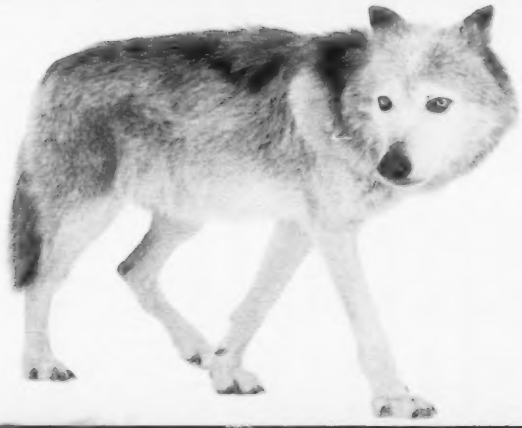
The economy of the Northwest Territories is as unique as the land. It is characterized by having a large land mass, a limited population and vast distances between communities. Population-wise, residents are spread over 33 communities, nearly half of who reside in the capital city. The economy is dominated by the nonrenewable resource sector – most notably diamonds and oil. However, the traditional economy - including harvesting and arts and crafts - still plays an important role in our smaller communities.

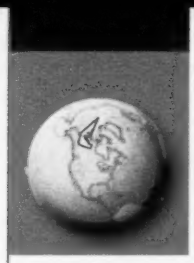
But times are changing and the future is bright. The world is becoming aware of our enormous potential. There are as many as seven new mining projects that could enter production over the next decade. The potential for hydroelectricity is just as promising and much of our vast natural gas resources have yet to be tapped.

The Economic Review covers many topics that intersect many of the NWT's unique economic tendencies – providing information through numerous economic indicators including Gross Domestic Product (GDP), population demographic, prices of goods, and environmental emissions.

While still relying on studies done by the Conference Board of Canada to define further growth, the Department of Industry, Tourism and Investment (ITI) has developed an "NWT Economic Impact Model" to estimate the impact of new mineral investments. In addition to this model, work is also complete on a Tourism Economic Impact Model, which has the capability of estimating impacts from changes to various market segments.

Figure 1: Grey Wolf - Source: www.thinkstock.com





Key Economic Indicators

Figure 2 highlights NWT economic trends over the past seven years.

The most basic indicator of economic performance is population growth, which is essential to business sales, housing, labour supply, "economies to scale" and government revenues. Between 2006 and 2011, the population of the NWT increased by 477 people, or about 1%.

The Gross Domestic Product, or GDP, is the most common measure of economic health. GDP can be measured in:

- Current prices - For example, the 2008 GDP in 2008 dollars compared to 2011 GDP in 2011 dollars.
- Real GDP, which accounts for inflationary changes in prices. In the NWT this is measured in $2002 chained dollars.

Figure 2: Key Economic Indicators - Source: Statistics Canada and Natural Resource Canada

	2006	2007	2008	2009	2010	2011	2012
Population	43,198	43,545	43,681	43,638	43,830	43,675	..
GDP (current $millions)	4,282	4,598	5,005	4,067	4,696	..	..
GDP ($2002 chained dollars)	3,545	3,938	3,602	3,098	3,028	2,871	..
Exports ($millions)	2,921	3,134	3,606	2,612	3,199	..	..
Investment ($millions)	1,848	1,995	1,562	1,071	1,247	1,142	1,378
Mineral Exploration ($millions)	176	194	148	44	82	105	124
Oil and Gas Exploration ($millions)	393	322	429	233	261	..	..
Employment	23,100	23,400	22,700	21,300	21,500	22,700	..
Employment Rate	73.8	73.8	70.7	66.4	66.6	70.7	..
Average Family Income	101,622	107,252	111,796	112,119	..	..	..
Yellowknife CPI - All Items (2002 = 100)	107.7	110.8	115.2	115.9	117.9	121.6	..
Retail Sales ($millions)	599.1	678.1	705.6	693.0	698.0	695.7	..
Wholesale Trade ($millions)	515.8	647.7	629.7	552.1	624.2	606.8	..
Manufacturing ($millions)	64.2	45.8	39.6	16.1	9.2	9.3	..
Accommodation Services ($millions)	73.6	82.5	84.4	82.7	87.8	..	..

Notes:

1. Sourced: Statistics Canada and Natural Resource Canada
2. Prepared by: NWT Bureau of Statistics
3. '..' means data is not available

GDP in current prices increased 10% over the 2006-2010 period, reflecting strong price gains in diamonds and oil. By comparison, real GDP, which isolates the impact of price changes, declined by 19%. This reflects falling production in the resource industries - diamonds, oil and natural gas.

Over the 2006-2010 period exports rose 10%, reflecting price gains in diamonds and oil. Overall investment declined 25%.

In recent years there has been renewed interest in NWT resources, with a resurgence in both mineral and oil/gas exploration.

There were slight declines in employment, and the employment rate. Surprisingly, average family incomes increased by 10% between 2006 and 2009. While family income gains were significant, this was offset by increases in the cost of living, or Consumer Price Index or CPI.

Among industries, accommodation services had the best performance, with sales up 19% between 2006 and 2010.

Wholesale trade made a significant comeback from the economic downturn, increasing 18% over the 2006-2011 period.

Retail trade posted a 16% increase over 2006-2011. The rate of increase exceeded both income and population growth, indicating some success with import replacement.

Figure 3: Pingo in the Inuvik Delta - Source: www.thinkstock.com

Investment

Investment is one of the most important indicators of business confidence and future development. Figure 4 lists investment history and future expectations by industry.

Particularly encouraging is the resurgence in mining and oil and gas investment. While breakdowns within the industry are not available, it is likely a good portion of this increase is associated with new oil exploration in the Sahtu. There is also renewed interest in mining exploration.

Another encouraging development is investment growth by transportation businesses and in housing. The continued investment in housing is essential to encourage new population growth and development.

Figure 4: Investment and Investment Intentions, NWT - Source: Statistics Canada

	2008	2009	2010	2011	2012
	Actual			Preliminary actual	Intentions
	Total construction and machinery and equipment				
	$ millions				
N.W.T.	**1,562**	**1,071**	**1,247**	**1,141**	**1,378**
Mining and oil and gas extraction	1,052	568	x	587	789
Utilities	x	23	38	52	51
Construction	46	11	18	17	18
Transportation and warehousing	98	x	51	x	85
Professional, scientific and technical	4	3	8	x	13
Educational services	35	56	x	61	59
Other services (except public	2	1	6	9	9
Public administration	113	131	216	174	179
Housing	62	70	85	79	85

x : suppressed to meet the confidentiality requirements of the *Statistics Act*

Note: This survey collects data on the intentions for capital investment and the expenditures for the previous two years.

Sources: Statistics Canada, CANSIM, table 029-0005 and Catalogue no. 61-205-XIB.

Last modified: 2012-02-29.

Employment

In March 2012, Statistics Canada estimated that 22,200 out of 32,100 residents, 15 years of age and older, were employed in the NWT, representing an employment rate of 69%. This is well above the Canadian average of 62%.

The participation rate measures the percentage of the population that is currently employed plus those people actively looking for work. The NWT's participation rate in March 2012 was 74%, compared to the Canadian average of 67%.

As shown in Figure 5, over the past five years, resident employment reached its maximum during 2008 at 23,800.

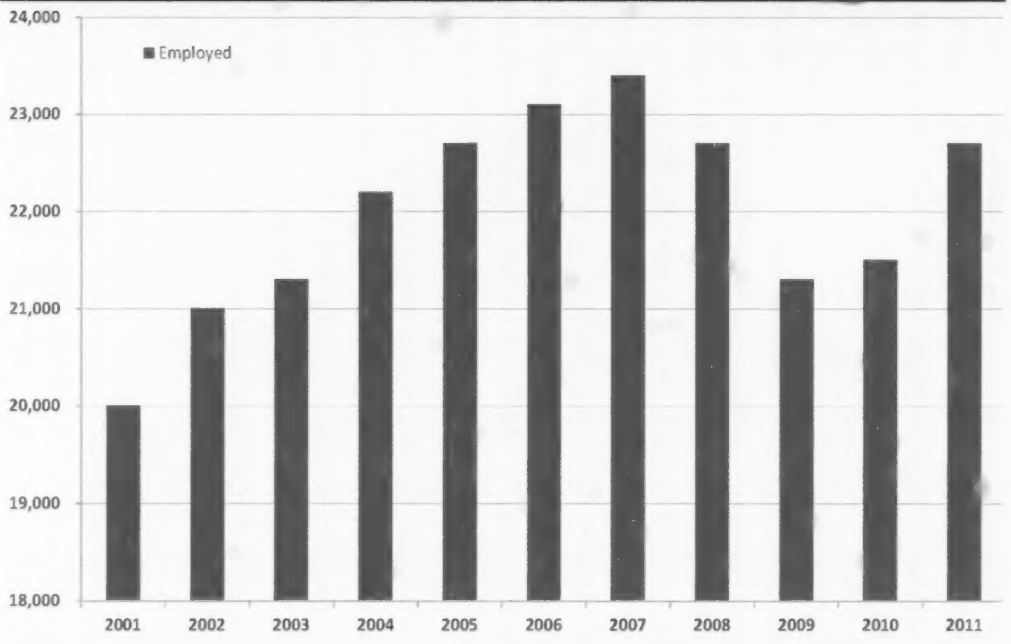
While current employment remains below 2008, performance over the year has been very positive, with large gains in part-time and full-time employment, and a 2% decline in unemployment.

Figure 5: Employment Trends - March of Every Year - Source: Statistics Canada

	2008	2009	2010	2011	2012
	In '000's				
Population Over 15	31.5	32	32.1	32.2	32.1
Labour Force	24.8	24	23	22.2	23.8
Employment	23.8	22.5	21.9	20.5	22.2
Full-time Employment	21.2	20.2	19.7	18.5	19.6
Part-time Employment	2.6	2.3	2.2	2	2.6
Unemployment	1	1.5	1.1	1.8	1.5
Not In the Labour Force	6.7	8	9.1	10	8.4
	In Percentages				
Unemployment Rate	4	6	5	8	6
Participation Rate	79	75	72	69	74
Employment Rate	76	70	68	64	69

Source: Table 282-0100 Statistics Canada

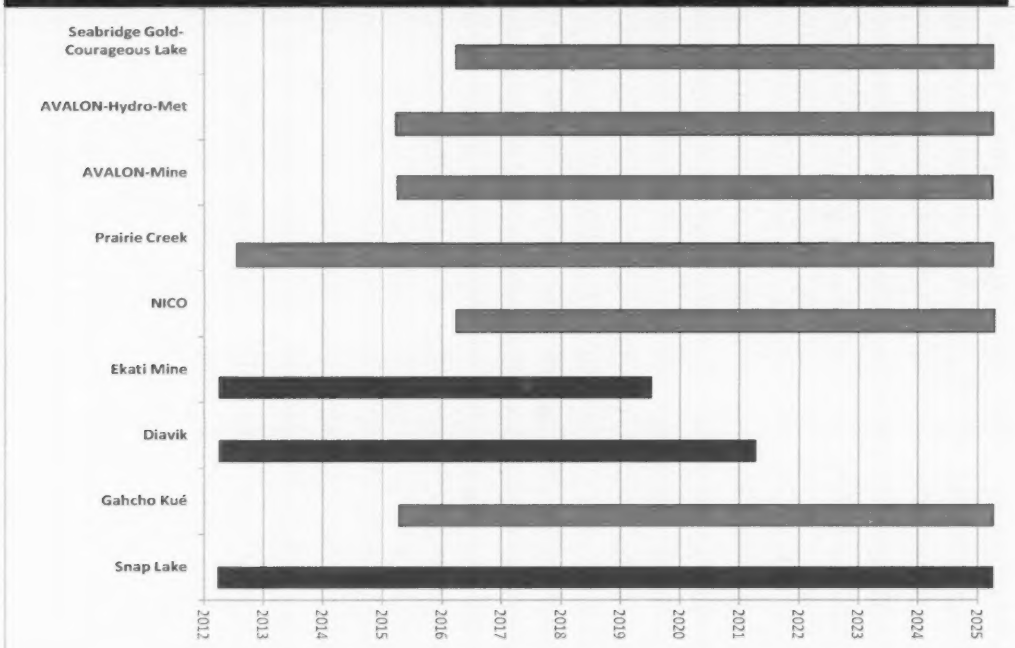
Figure 6: Employment Trends - Source: Statistics Canada



Annual employment trends are charted in Figure 6. The chart highlights the significant recovery in employment over 2011.

Economic Outlook

Figure 7: Projected Mine Start and Closure Dates - Source: NWT Mining Impact Model



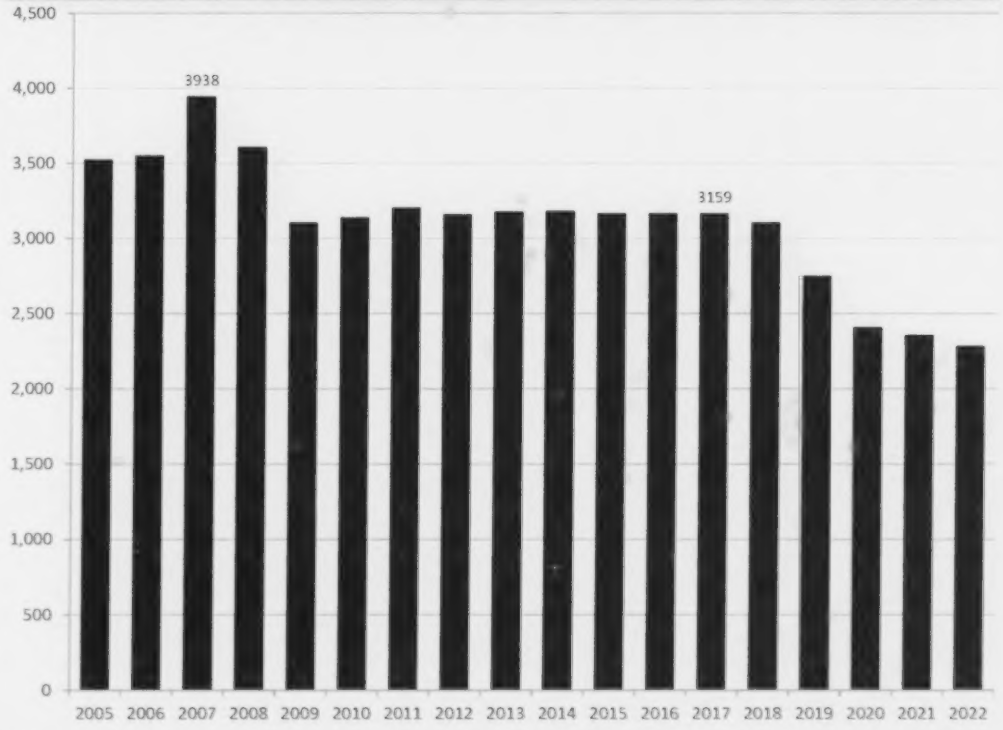
The NWT Economic Impact Model is a tool supported by Industry, Tourism and Investment, along with the Department of Finance. The model was developed by Impact Economics of Yellowknife.

In its current stage of development, the Model can estimate the impact of various mineral developments on GDP, employment, labour income, population, government revenues and other key economic indicators.

Figure 7 charts the estimated life of the NWT's operating diamond mines - shown as blue bars. Based on existing mine plans, the Ekati mine is scheduled to close in 2019, while the Diavik mine is scheduled to close in 2021.

Over a similar time period, a number of new mines may come into production. With the exception of the Gahcho Kue' diamond mine, the new projects are metal mines. Most of these projects are significantly smaller than the existing diamond mines.

Figure 8: Baseline GDP Projection ($ Millions) - No New Diamond Mines - Source: NWT Mining Impact Model



The chart in Figure 8 plots "real GDP" without any new mine development. Ekati is a mature mine with a remaining life expectancy of approximately seven years. The eventual closure could result in the NWT's real GDP declining by $650 million. There could be parallel declines in employment and population.

The diamond mines are significant contributors to the NWT economy, and their economic contribution will be difficult to replace.

One option is to examine ways for extending the life of these mines. This would require reducing operating costs, developing new diamond deposits or capitalizing on new "economies of scale".

Another option is to encourage new exploration and mining development. For example the NWT has significant potential for diamond, gold, rare earth metals, zinc and other metals.

Figure 9: Five New Mines Develop ($ Millions) - Source: NWT Mining Impact Model

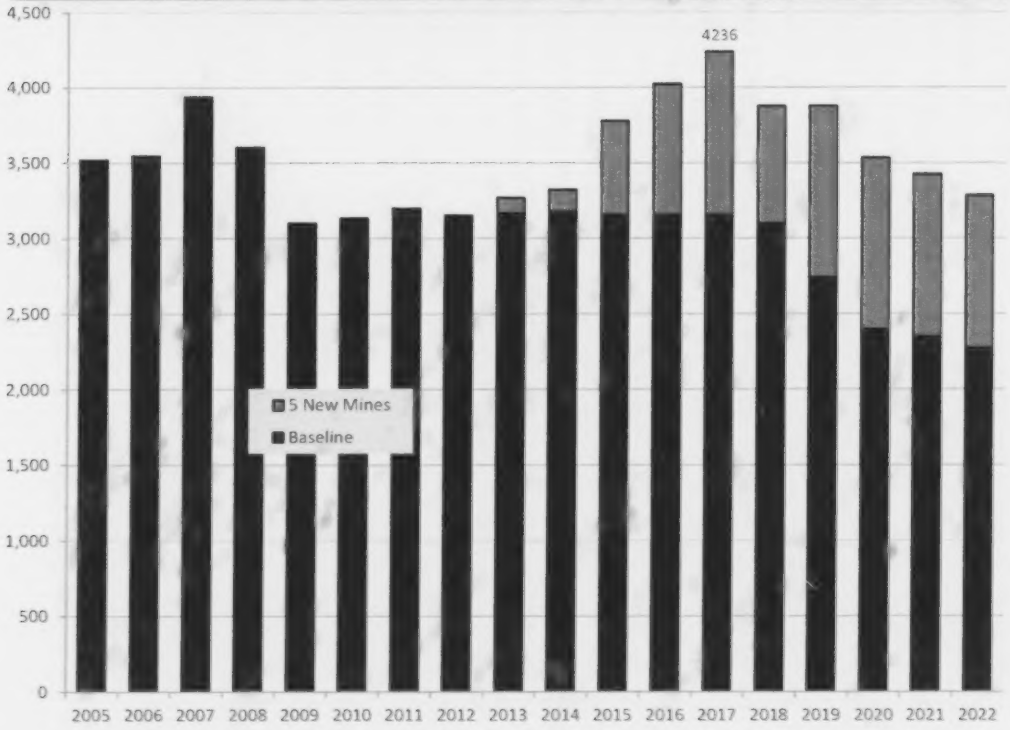


Figure 9 plots economic trends with five new mines entering development. The new mining projects include Gahcho Kué, Prairie Creek, Nico, Yellowknife Gold and Avalon. When these new mines are added, their collective impacts will add substantial growth between 2013 and 2017. This growth starts to decline as Ekati moves toward closure.

The eventual closure of Ekati would still have a major negative impact, but the five new mines make it possible to maintain current GDP levels.

Figure 10: Underground Heat Recovery Plant at Ekati Diamond Mine - Source: International Quest Engineering Ltd.

Sustainability

Recycling

Sustainable development is a key objective of the GNWT. The NWT's recycling sector is growing in importance. For example, the NWT became the first Canadian jurisdiction to implement regulations targeting single-use retail bags with the implementation of phase one on the Single-Use Retail Bag (SRB) Program. A total of 1,524,095 SRBs were reported as distributed to NWT retail stores between April 1, 2010 and March 31, 2011.

Figure 11: Beverage Container Recovery Rate 2010-2011 - Source: GNWT

		ContainerMaterial and/or Type	Containers Distributed	Containers Returned
Non-Alcohol Beverages	< 1.0 Litre	Glass	383,757	243,873
		Aluminum	8,710,976	8,573,409
		Plastic	5,202,348	4,588,560
		Tetra Pak/Drink Pouch	1,781,294	1,118,876
		Gable Top	37,880	14,383
		Bi-Metal	25,430	10,567
	≥ 1.0 Litre	Glass	4,376	7,915
		Aluminum	0	0
		Plastic	795,561	508,712
		Tetra Pak/Drink Pouch	339,271	222,729
		Gable Top	104,120	63,312
		Bi-Metal	9,879	2,630
	Milk	Bag-in-a-Box	0	341
		Milk ≤ 1.0 Litre	1,336,716	348,117
		Milk > 1.0 Litre	729,723	447,237
Alcohol Beverages	< 1.0 Litre	Glass - Refillable Bottle	2,602,866	2,380,961
		Glass - Non Refillable Bottle	918,903	917,573
		Aluminum	6,532,322	4,780,132
		Other Material	0	0
	≥ 1.0 Litre	Glass - Other Than Wine or Spirits	140,135	13,742
		Other Material - Other Than Wine or Spirits	0	0
	Any Size	Any Material - Wine or Spirits	1,171,418	972,808
		Total	**30,826,975**	**25,215,876**

The NWT Beverage Container Program (BCP) has been in operation for over six years. For the 2010/11 year, there were 40 beverage container distributors registered. As shown in Figure 11 approximately 30.8 million beverage containers were distributed and 25.2 million beverage containers were returned in the NWT. This represents a beverage container recovery rate of 82 per cent and over $2.8 million in refunds to NWT residents. The BCP provided 12 full-time jobs, five seasonal jobs and 30 part-time/casual jobs in 2010/11.

Figure 12: Gamèti Recycling Depot - Source: GNWT

The Yellowknife Centralized Composting Pilot Project began in September 2009. The objectives of this project are to divert organic materials such as food scraps and yard waste from the landfill, and to convert these materials into compost, which is a valuable soil amendment. There are currently 20 businesses and institutions that participate in the centralized composting pilot project. Participants include restaurants, coffee shops, grocery stores, schools, the hospital and correctional facilities.

Greenhouse Gas Emissions

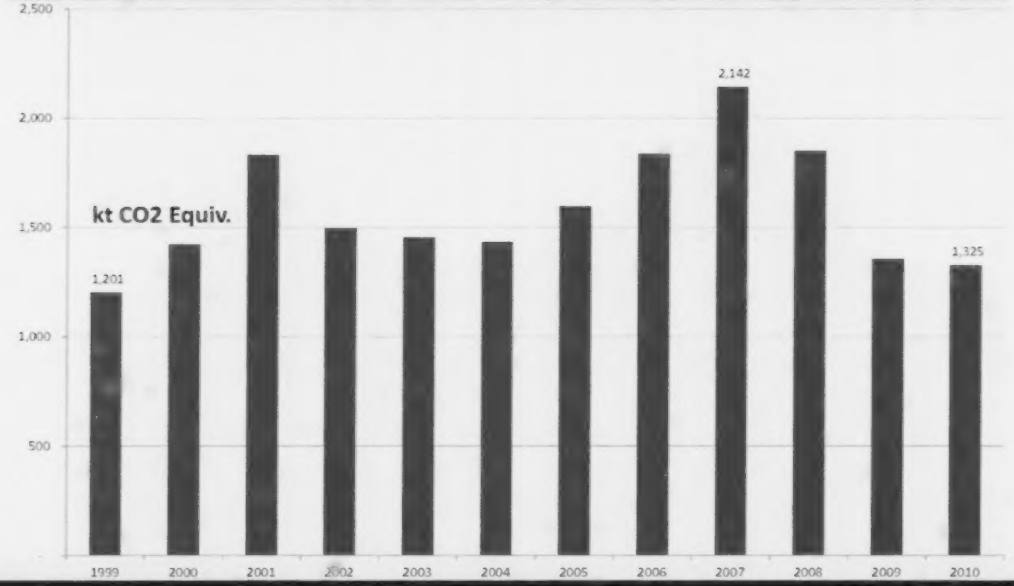
Greenhouse gas emissions are one measure used to assess the impact of development on the environment. Environment Canada publishes detailed statistics on emissions for all provinces and territories.

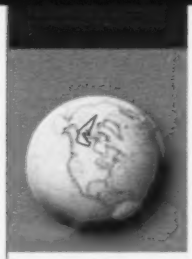
The 2010 estimate shows that 1,325 Kilotonnes (Kt) of greenhouse gasses were emitted across the NWT, which is significantly lower than the peak of 2,142 Kt in 2007. Falling investment, the world economic downturn and new energy saving investment are the likely causes for the decline in NWT emissions.

While some mines, including Diavik, are considering renewable sources of electricity, most of the electricity needed for these projects will be generated from diesel combustion. Thus the growing trend of diesel generated electricity in the NWT's electricity mix is expected to continue.

However, the eventual closure of the Ekati mine will result in a significant reduction in industrial production and a corresponding decline in greenhouse gas emissions.

Figure 13: Greenhouse Gas Emissions for the NWT - Source: Environment Canada





Diavik Wind Farm

By the winter of 2012, the Diavik Diamond Mine is planning to have the first large-scale wind farm in Canada's Northwest Territories. The mine is one of the world's major diamond producers. It is located off the hydro grid, in a remote location, close to the treeline and the border with Nunavut.

The wind farm will employ four 2.3 megawatt wind turbines (total installed capacity 9.2 MW). These turbines have an innovative, gearbox free, direct drive, low temperature design. This will be the first large scale wind-diesel installation at a remote 'off the grid' mine site. It will also break new ground for similar installations in remote communities.

Once operational the wind farm is expected to generate 9% of the mine site's electricity. This will translate into a saving of four million litres in diesel fuel per year (projected). This reduction in diesel will reduce carbon emissions by 12,000 tonnes per year.

Estimated project economics are very robust, including a positive Net Present Value Payback period of less than eight years.

Source: www.diavik.ca.

Figure 14: A Wind Farm - Source: Environment Canada

Economic Factors

Introduction

The production of goods and services requires inputs, not just raw resources and land, but people, infrastructure and entrepreneurship. Economists refer to these as "Factors of Production". To varying degrees, each of these is important to every sector of the NWT economy.

For example, retail sales depend on population and labour income, and the sales of many wholesale businesses rely on mineral exploration and project investment.

Land

The land cannot be separated from the economy. The sheer size of the NWT, approximately 1.2 million square kilometres, has been a major challenge throughout the territory's history. However, the land is also the basis of our economic wealth.

The geography of the NWT is diverse. Visitors can dip a toe in the Arctic Ocean, see herds of wood bison, view the northern lights, or take a hot bath in the Nahanni Hot Springs. The NWT has two of Canada's largest lakes, the Great Slave and Great Bear. The Mackenzie River, which exceeds 4,000 kilometers in length, is Canada's longest river, and a major transportation route to the Arctic.

Figure 15: River in Nahanni National Park - Source: www.thinkstock.com

On average, Yellowknife is among the coldest capitals in Canada. This means the cost of heating a home or running a business can be significantly higher than in southern Canada.

However, the cold climate also provides advantages. Northern businesses have become experts at cold weather construction, and have exported this expertise to other regions and countries. Every year, an extensive series of ice roads provide essential community and mine re-supply.

Over 600,000 square kilometers (half of the NWT) is forested land. Of this, approximately 150,000 square kilometers are considered productive timberland.

While the overall climate is marginal for agriculture, certain regions have productive agricultural land. Overall, there are approximately 4.3 million hectares of arable land in the Slave, Hay, and Liard River lowlands; and to the west of Great Slave Lake.

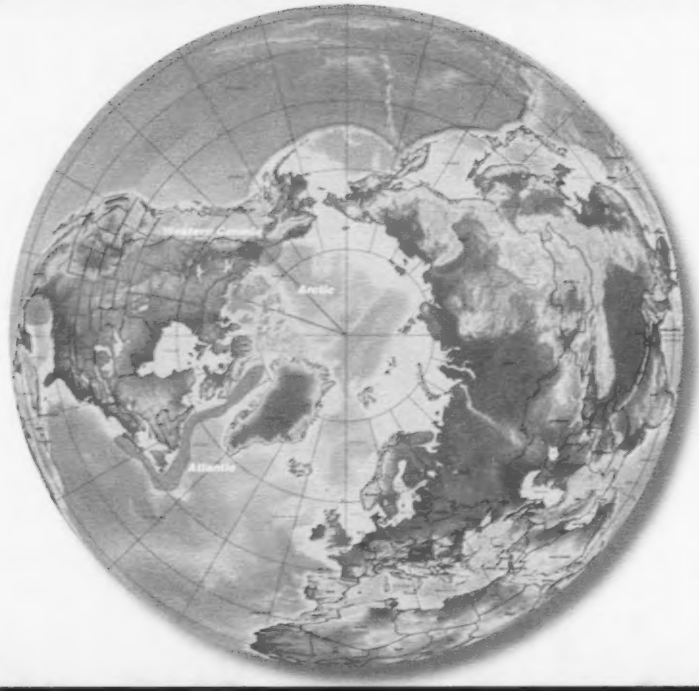
Figure 16: The NWT has 12% of Canada's Productive Forest Lands - Source: IEA Photo (Kevin Todd)

The NWT is classified into seven geologic provinces. Three of them - the Slave, Bear and Churchill - have a complex history, which include volcanic action, chemical reaction and faulting and folding from crustal upheavals. This has tended to concentrate, and in some cases, expose valuable mineral content. The Slave Province contains the NWT's three operating diamond mines as well as significant gold reserves.

A large portion of the NWT falls within the Western Sedimentary (oil and gas) Basin, which extends from Alberta, up the Mackenzie Valley and into the Arctic Ocean (see Figure 17).

The current territorial boundary extends from Behchokò in the east to the Mackenzie Mountains in the west. Exploration in the NWT has resulted in the discovery of over 1.2 billion barrels of oil and 16 trillion cubic feet of natural gas (excluding discoveries in the Arctic Islands). Actual recoverable oil and gas in the NWT is projected to be substantially larger.

Figure 17: Map – Sedimentary Basins in North America - Source: ITI - IEA Map



Population

In 2011, the NWT had a diverse population of 43,675 people. Compared to other parts of Canada, the NWT's population is young.

There are 33 recognized communities in the NWT. Most communities are small, with 23 having a population under 700; 10 communities have fewer than 200 residents.

- Yellowknife, with a population of 19,888 is the largest community.
- The six regional trading centres – Fort Simpson, Fort Smith, Hay River, Inuvik, Norman Wells and Yellowknife - account for 72% of the NWT's population.

The vast majority (94%) of non-Aboriginal residents live in regional centres. By comparison, 52% of Aboriginal residents live in smaller, rural, communities.

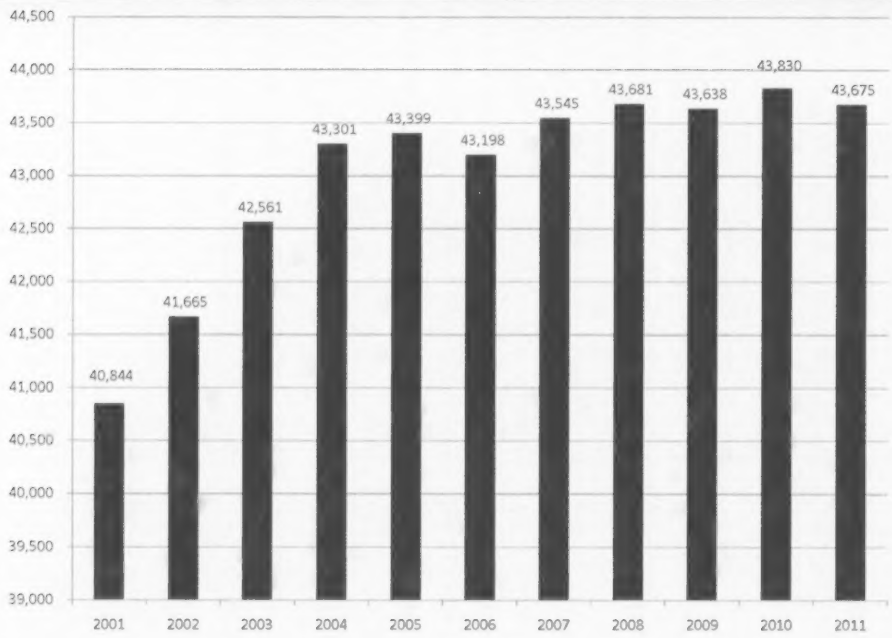
Between 2001 and 2011, the NWT population grew by 2,831 residents; 2,116 of these lived in Yellowknife. In fact, just four communities accounted for 94% of the entire NWT's population growth since 2001:

- Yellowknife 75%
- Behchokò 10%
- Inuvik 4%
- Fort Smith 5%

NWT population growth is closely associated with mineral investment. The last major population increase correlated with

Figure 18: Worker at Exploration Camp - Source: Irene Vasa

Figure 19: NWT Population Growth Since 2001 - Source: NWT Bureau of Statistics



development of the Snap Lake mining project. Since 2005, population growth has been limited. Figure 19 plots ten years of population growth.

Transportation Infrastructure

NWT transportation infrastructure includes a network of roads, ports and airports, including a rail connection to Hay River. Overall, the NWT has 2,200 kilometers of all-weather roads, complemented by 2,100 kilometers of "ice roads". There is also a well-developed marine freight route along the Mackenzie River to the Arctic Ocean.

Figure 20 compares highway infrastructure and land mass for each province and territory. While the NWT encompasses 13% of Canada's area, it only has 4,500 kilometers of highways; 0.4% of Canada's total. The NWT also has one of Canada's lowest percentage of paved highways to total highways.

Figure 20: Highway and Area Statistics - Source: Transport Canada

	Land Water Area		Highway Distribution			
	Total Area		Total Length	Share of	Paved share	Unpaved
	km^2	%	000 km's	percent		
Newfoundland and Labrador	405,212	4%	19.2	1.8	55.2	44.8
Prince Edward Island	5,660	0%	6.1	0.6	70.5	29.5
Nova Scotia	55,284	1%	27.1	2.6	66.8	33.2
New Brunswick	72,908	1%	31.5	3	61.9	38.1
Quebec	1,542,056	15%	144.7	13.9	56.3	43.7
Ontario	1,076,395	11%	190.9	18.3	62.8	37.2
Manitoba	647,797	6%	86.6	8.3	22.3	77.7
Saskatchewan	651,036	7%	228.2	21.9	12.9	87.1
Alberta	661,848	7%	226.3	21.7	27.3	72.7
British Columbia	944,735	9%	71.1	6.8	67.8	32.2
Yukon	482,443	5%	5.7	0.5	38.6	61.4
Northwest Territories	1,346,106	13%	4.5	0.4	20	80
Nunavut	2,093,190	21%	0.3	0	0	100
Total	**9,984,670**	**100%**	**1,042.20**	**100**	**39.9**	**60.1**

Source(s): Transport Canada, 2008, *Transportation in Canada 2007: An Overview*, Addendum, Catalogue no. TP 14816E, p. A85.

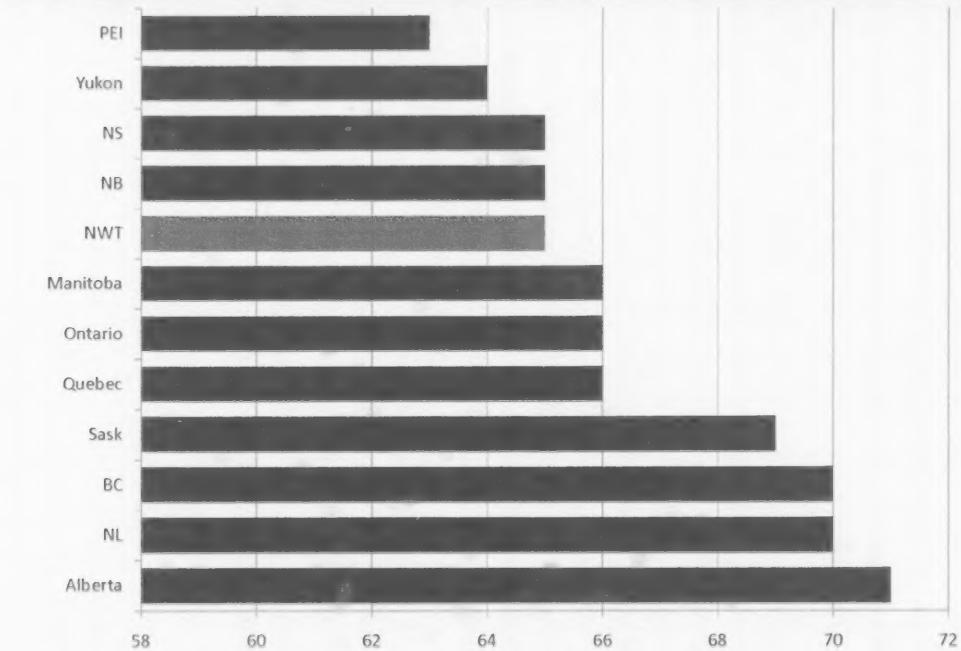
Business Climate

Confidence levels among small business owners in the North continues to lag behind the rest of Canada. According to the Canadian Federation of Independent Businesses (CFIB) Business Barometer Index, confidence among small business owners in the NWT has declined below the national average.

Businesses were also asked to rank impediments to growth. Major challenges included:

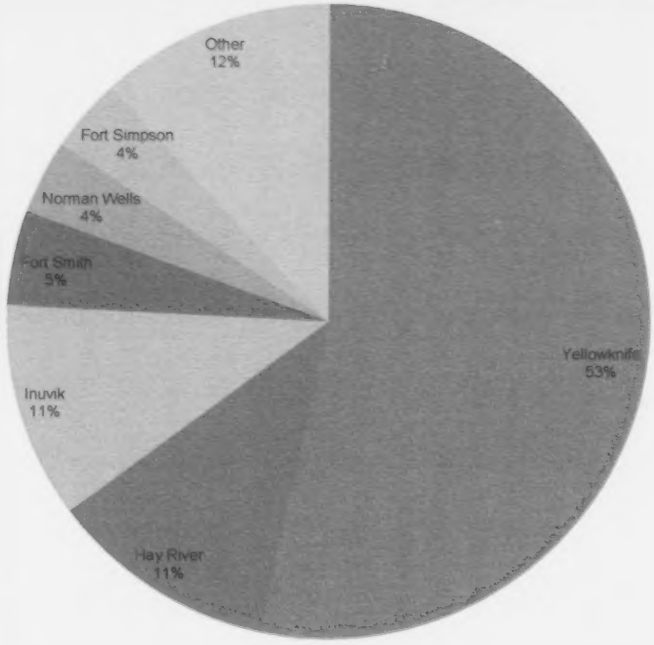
- 76% of businesses were unable to find staff to support expansion;
- 43% were concerned with the uncertain business environment;
- 43% had financing issues; and,
- 38% felt capital and staff were too costly.

Figure 21: Business Barometer (higher is better) - Source: CFIB



NWT Business Distribution

Figure 22: Distribution of Businesses in the NWT by Location - ITI Statistics - IEA



The distribution of businesses in the NWT parallels income distribution. Overall, 88% of businesses are located in the six regional centres. These same communities accounted for 85% of all personal income in the NWT in 2009.

Income Distribution

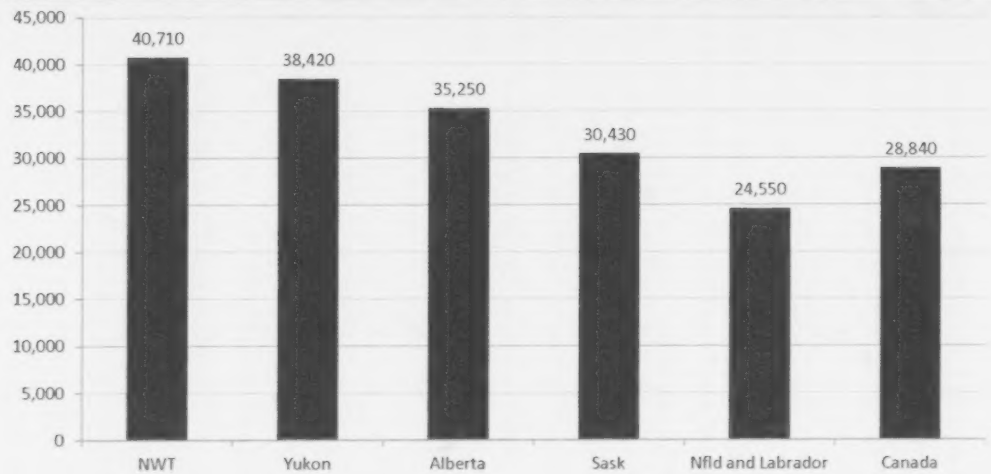
Median Incomes

Income statistics for residents are available from Revenue Canada, with the latest data being available for 2010.

Median is preferred as a measure of income equality because all units are weighted equally. Median income represents the level at which exactly half of the incomes are above and half are below. If averages were used the relatively small population (outliers) with extremely high incomes could skew the measurements.

Yukon and NWT median income is significantly higher than in the rest of Canada. For 2009, the NWT's median income is the highest in Canada at $40,710. This means that half of the working population in the NWT earns more than $40,710, and half earns less.

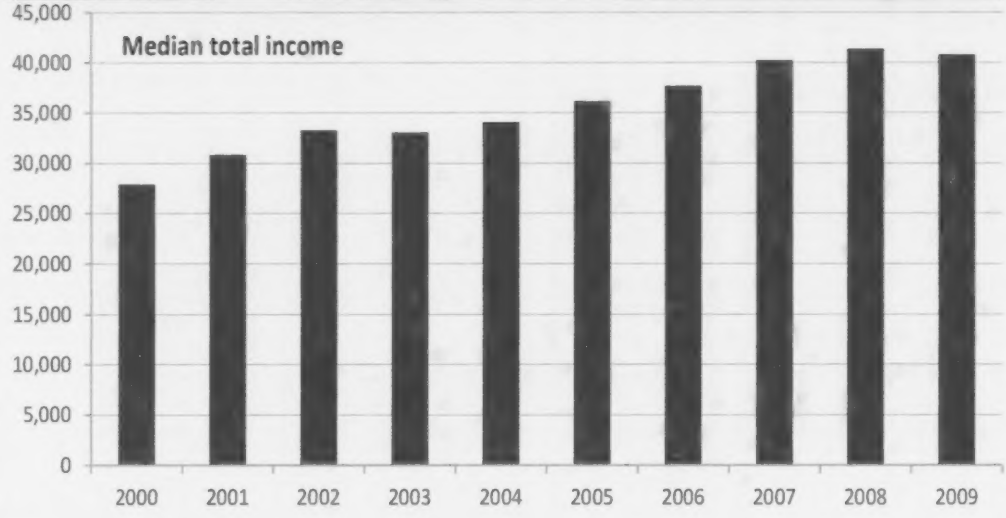
Figure 23: Median Incomes in Canada 2009 - Statistics Canada (Provincial Summary Tables)



Median Incomes over Time

The number of income earners in the NWT, and their median income, have increased significantly since 2000. Overall, there were 3,900 more residents earning an income in 2010 than in 2000. Since 2000, median incomes in the NWT have increased by 46%, or $12,810. Figure 24 plots annual median incomes since 2000.

Figure 24: NWT Median Incomes - Statistics Canada (Provincial Summary Tables)



Income Distribution

Figure 25 plots the distribution of incomes in 2000 compared to 2009. The movement of income earners into higher income brackets, along with a reduction in low income earners, is evident between 2000 and 2009.

Figure 26 looks at changing income distribution in greater detail by plotting the change in residents within each income group between 2000 and 2010. Two trends are immediately evident, the significant increase in residents earning between $75,000 and $150,000 per year, and the overall decline in residents earning less than $50,000. The number of people earning less than $50,000 declined by 1,740, while the number of residents earning more than $50,000 increased by 5,630.

Figure 25: NWT Income Distribution Changes between 2000 and 2009 - Source: Statistics Canada Cansim Data

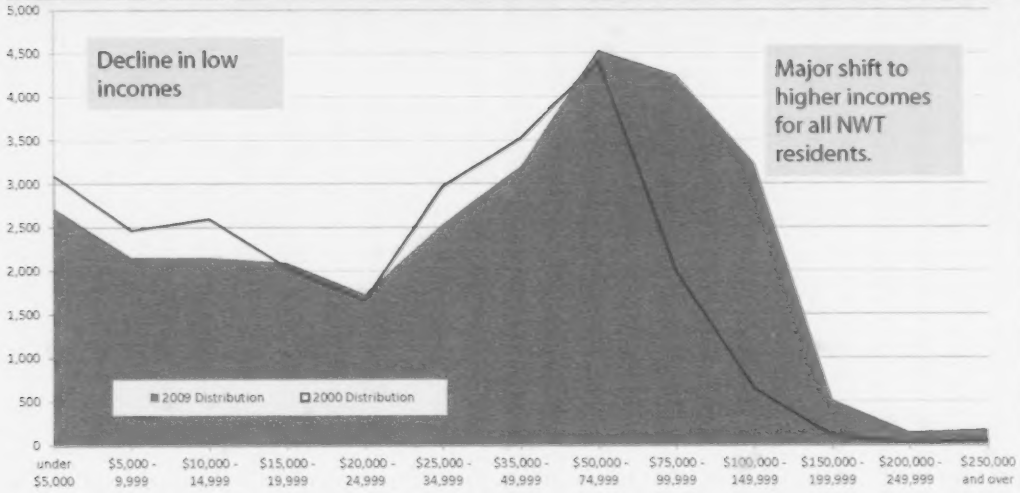
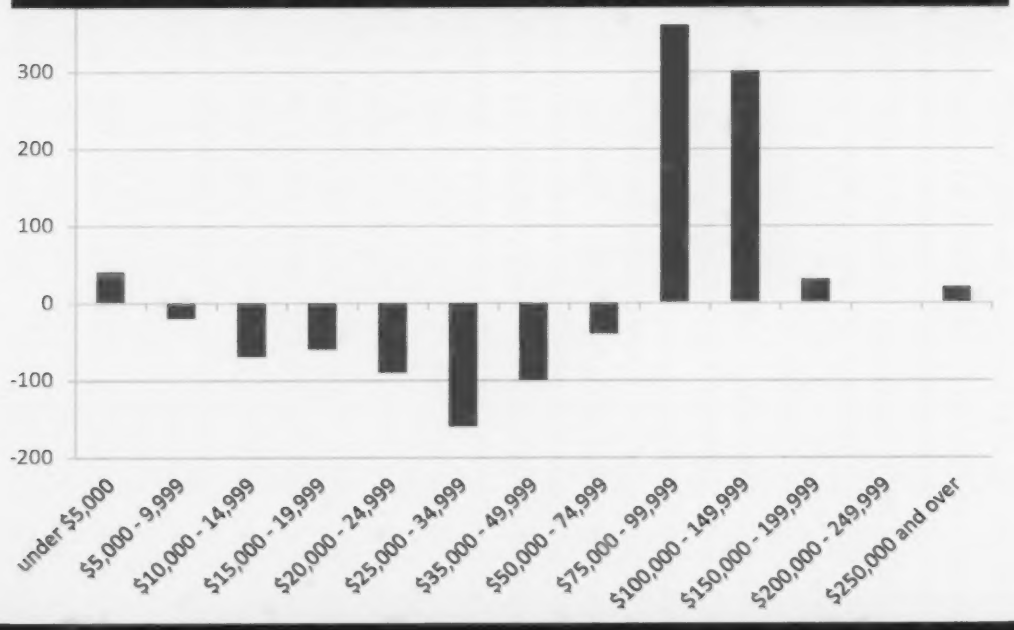


Figure 26: Changes in Number of Residents in Each Income Bracket – 2000-2010 - Source: Statistics Canada Cansim Data



Gender Incomes

The median income level for women in the NWT remains lower than men ($36,000 versus $46,000). Over the past decade the median income for women increased from $23,000 to $36,000. This represents a gain of 58%; by comparison, male incomes increased 38%.

Employment Gains by Young Women

Income gains by young women are particularly evident. Amongst younger working age women, 25 to 34 years, the number of women making more than $50,000 increased by 750. Equally positive, the number of women making less than $50,000 declined by 730. (Figure 29)

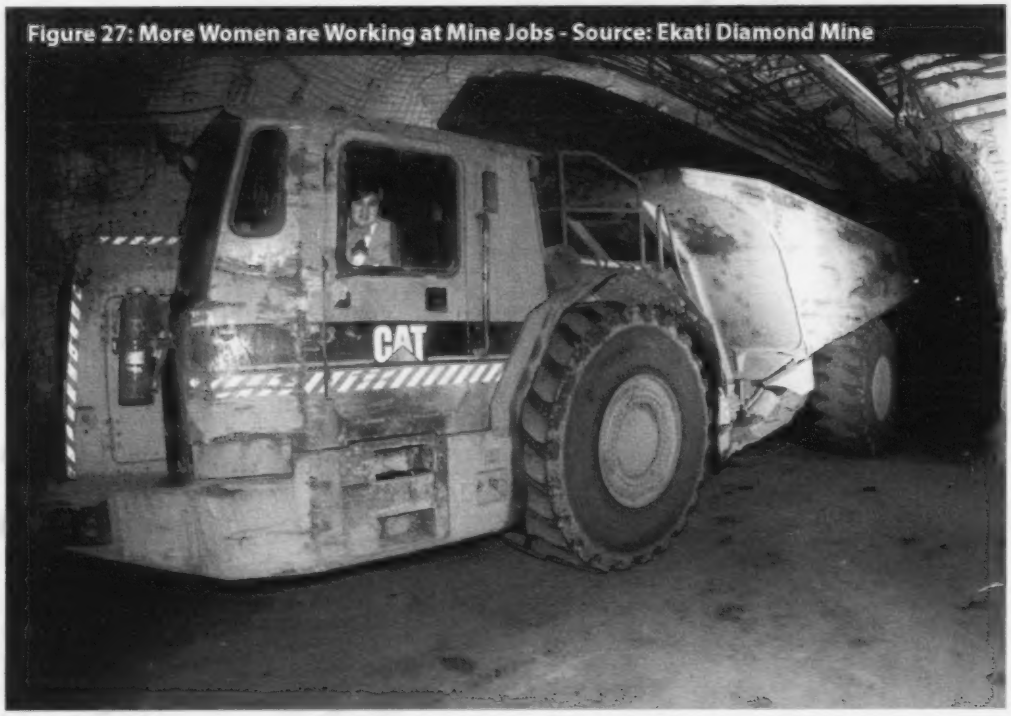


Figure 27: More Women are Working at Mine Jobs - Source: Ekati Diamond Mine

Figure 28: Income Distribution Changes, Women 25-34, over 2000 and 2010 - Source: Statistics Canada

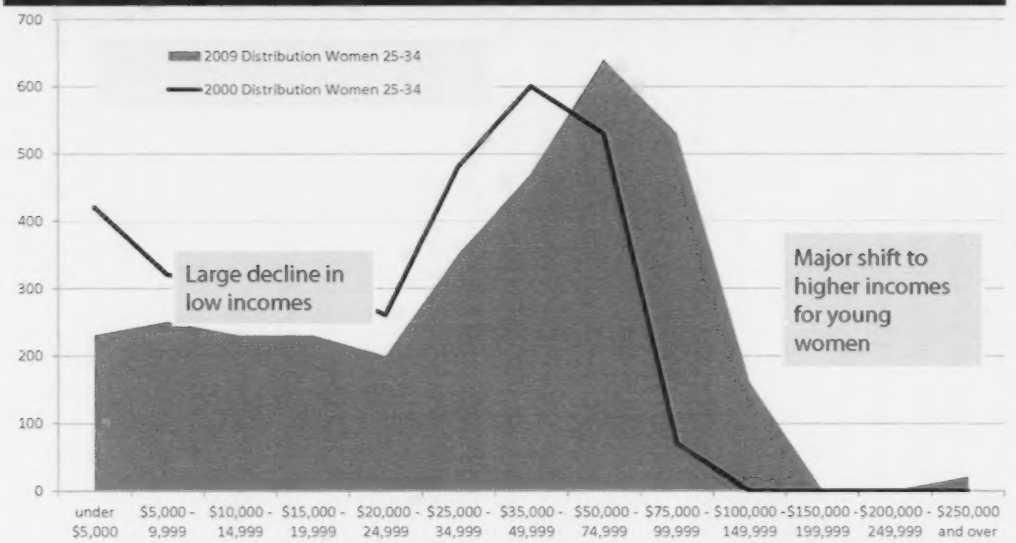
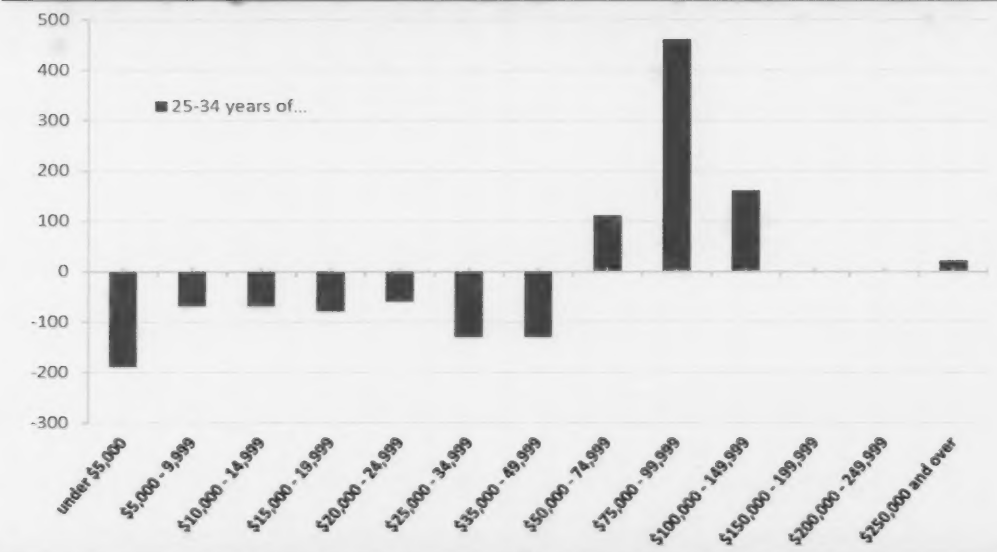


Figure 29: Income Distribution Changes, Women 25-34, over 2000 and 2010 - Source: Statistics Canada



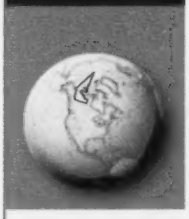
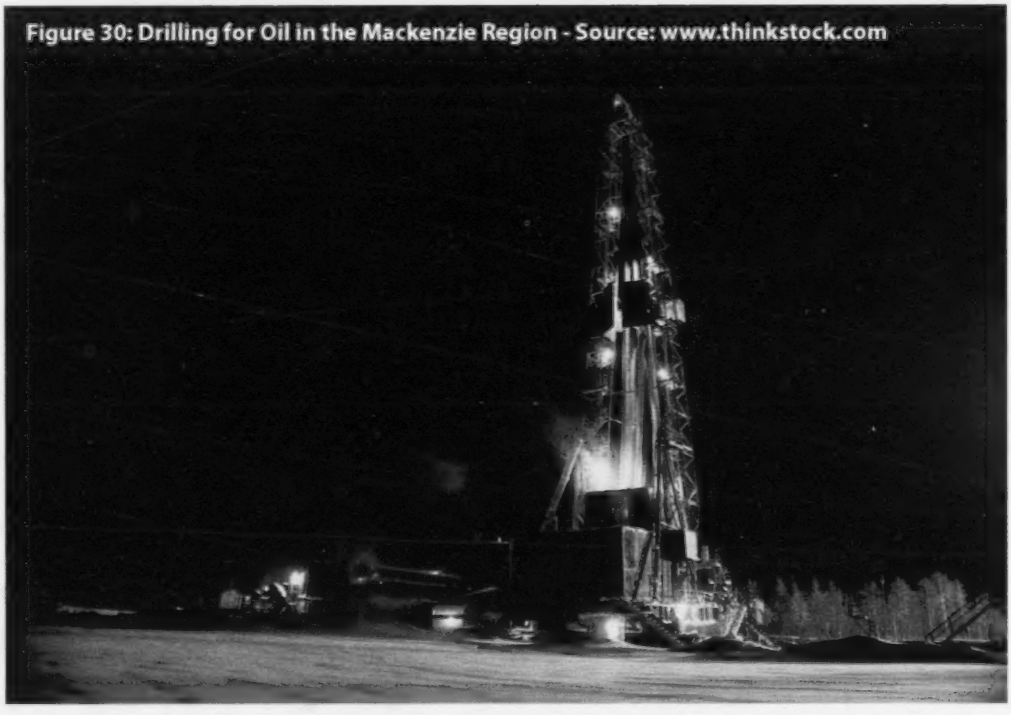


Figure 30: Drilling for Oil in the Mackenzie Region - Source: www.thinkstock.com



Economic Sectors

This section summarizes the key sectors of the NWT economy. It considers the major factors that affect development in each sector.

Non-Renewable Resources

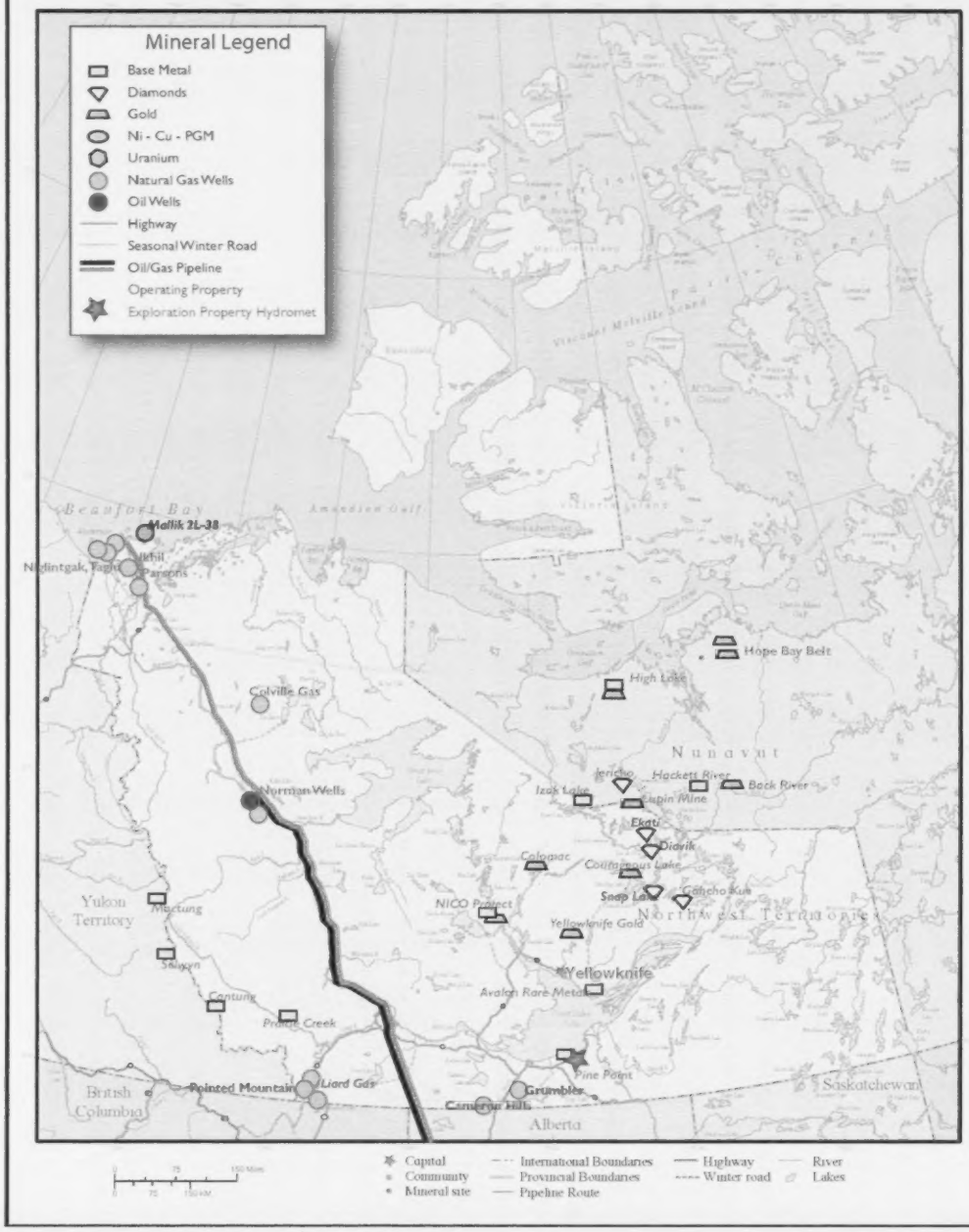
The NWT has an extremely rich resource base and non-renewable resources continue to be the focus of economic activity. Figure 32 highlights existing and likely resource projects in the NWT, Nunavut and along the Yukon/NWT border.

As discussed in the section on the NWT Economic Impact Model (page 7), the most likely new mining projects before 2020 include Gahcho Kué, Prairie Creek, Nico, Yellowknife Gold and Nechalacho. Taken together, these five projects could add over 1,700 new jobs to the economy by 2017, offsetting declines from the planned closure of Ekati scheduled for 2019.

Over 2010, diamond exports jumped from $1.4 billion to over $2 billion; an increase of nearly $600 million or 40%. In 2010, oil shipments were worth $457 million, while natural gas production declined to $21 million.

Figure 31: Training on Rigs in the NWT - Source: www.thinkstock.com

Figure 32: NWT Mineral Deposits - Source: ITI Statistics

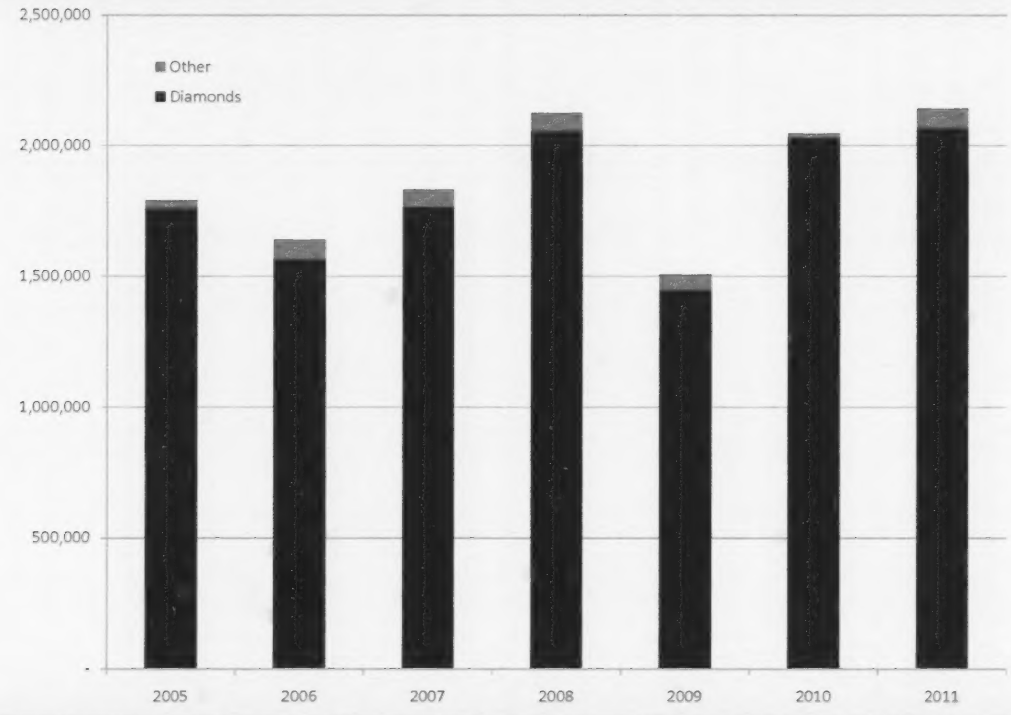


Oil is produced in Norman Wells, one of Canada's richest oil fields. Natural gas is largely extracted from various fields in the southern NWT as well as at the Ikhil project near Inuvik, and at Norman Wells. Volumes of oil and natural gas production are continuing to decline. However, record oil prices have offset the decline in oil production.

New opportunities are being explored. Currently there are three projects proposed for exploration in the offshore of the NWT. Two projects are actively undergoing exploration — the Imperial Oil Resource Venture Limited's Ajurak project and the British Petroleum Exploration Company Limited's Pokak project. The companies are undertaking seismic surveys, gravity surveys and field data collection programs. Chevron Canada Limited has applied for authorization to collect seismic data during the summer of 2012.

During the 2010/11 call for bids process, 11 parcels were granted against the exploration expenditure bids of $534 million in the Sahtu region of the NWT. The winning bidders intend to explore the "tight oil" potential of the region by undertaking seismic and drilling activities.

Figure 33: Value of Mineral Shipments from the NWT - Source: NWT Bureau of Statistics



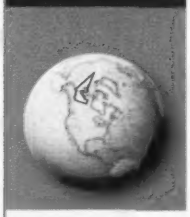


Figure 34: Oil and Gas Exploration - Source: Corbis

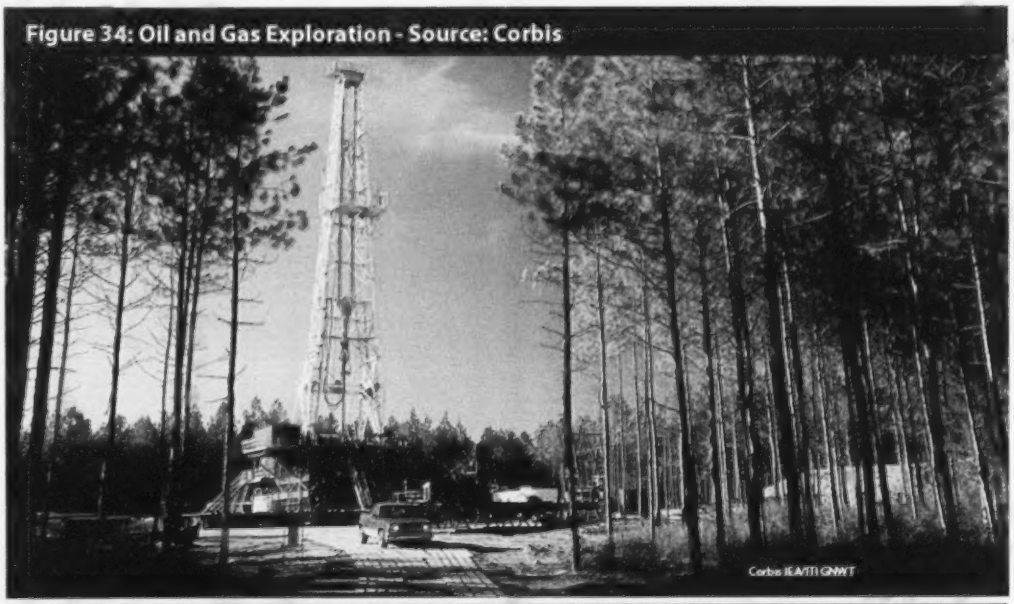


Figure 35: Value of Oil and Gas Shipments from the NWT - Source: NWT Bureau of Statistics

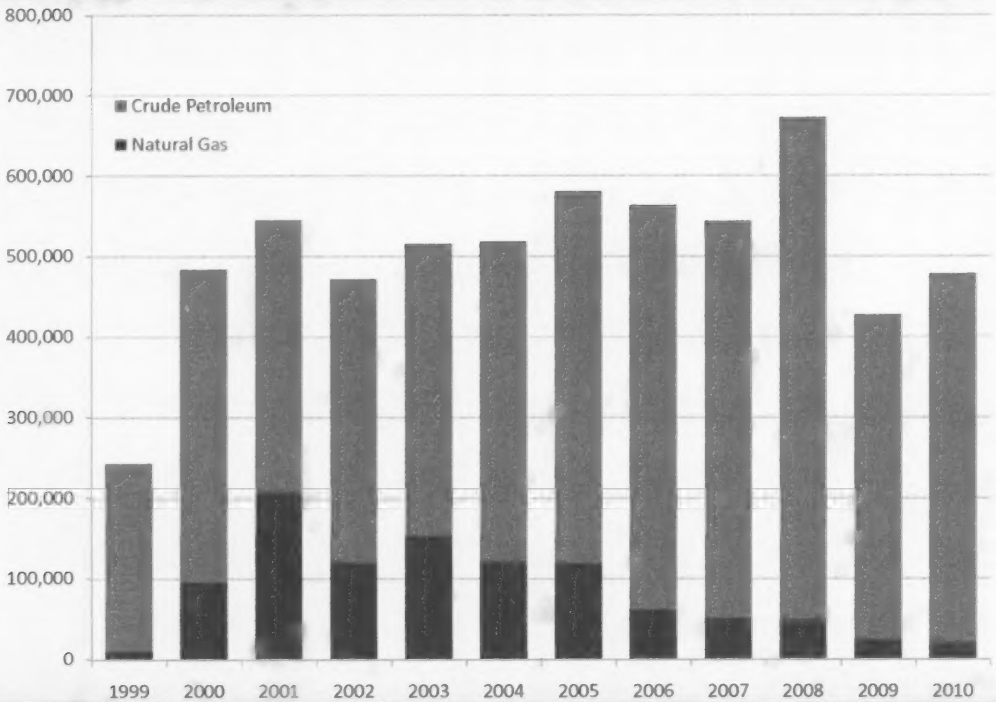


Figure 36: Diavik Mine Under Construction - Source: Lac De Gras Constructors

Mackenzie Gas Project (Summary)

The proposed Mackenzie Gas Project (MGP) will begin in the Mackenzie Delta and end in northwestern Alberta. It will initially transport 0.8 to 1.2 billion cubic feet per day (bcf/day) of natural gas, enough to heat half of NWT homes for a whole year. The gathering system will be expandable to 1.9 bcf/day. A natural gas liquids pipeline will be built in the same right-of-way between Inuvik and Norman Wells.

Natural gas liquids will be separated in Inuvik and shipped down this line to join the existing Enbridge pipeline. The project proponents now estimate that the MGP will cost a total of $16.2 billion: $7.8 billion for the pipeline, $4.9 billion for the development of the anchor fields, and $3.5 billion for the gas-gathering system.

The Resource

- The three anchor fields that will initially supply the pipeline were discovered in the early 1970s. These three gas fields collectively contain an estimated 5.8 trillion cubic feet (TCF) of recoverable natural gas and will have a production life-span of 25 to 30 years.

Natural Gas Liquids

- Natural gas liquids (NGLs) are present in unprocessed natural gas, and may contain ethane, propane, butane, isobutane, and gasoline, which are sometimes referred to as condensate.
- These NGLs are removed and sold separately, leaving almost pure methane to be sold as natural gas.

Project Components

- A 1,220-km, 30-inch natural gas pipeline from Inuvik to northwestern Alberta
- A 480-km, 10-inch natural gas liquids pipeline from Inuvik to Norman Wells
- Three natural gas field production facilities
- A gathering pipeline system
- A gas processing facility near Inuvik

Projects Proponent

- Imperial Oil Resource Ventures Limited
- ConocoPhillips (Canada) North Limited
- ExxonMobil
- Shell Canada Limited
- Aboriginal Pipeline Group

Figure 37: Canadian Lynx - Source: www.thinkstock.com

Figure 38: Woman Driving a Truck at Diavik Diamond Mine - Source: Diavik

Figure 39: Hudson Bay Complex in Fort Resolution - Source: Dan Westman

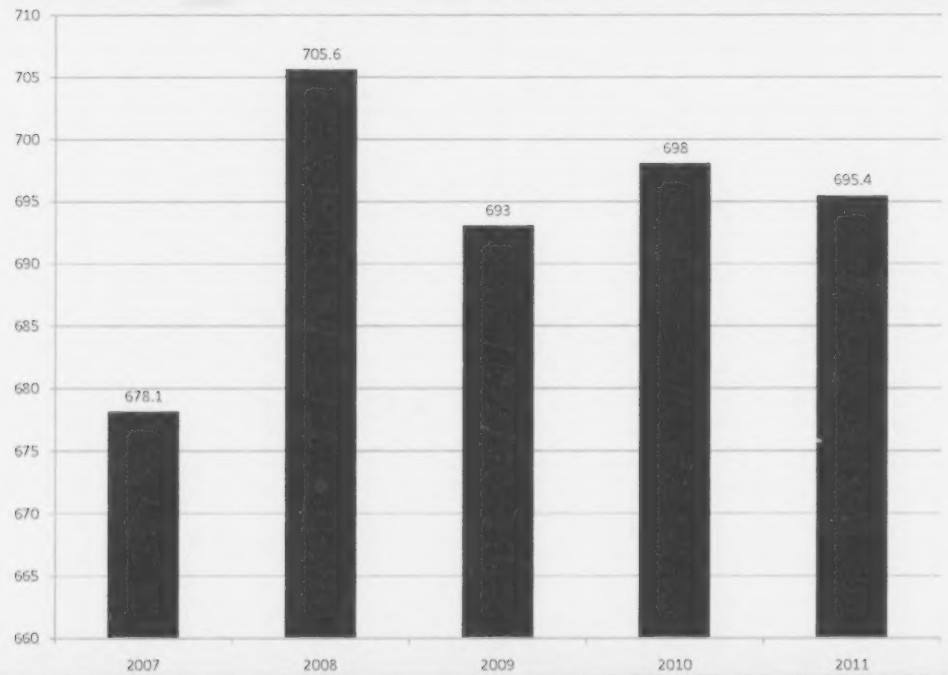
Retail

Retail trade enjoyed strong growth in the five years between 2006 and 2010, increasing from $599 million in 2006 to $698 million in 2010. Over the past three years, however, sales have remained relatively flat, paralleling population trends.

Employment has followed a similar trend, with the industry creating 800 new jobs between 1999 and 2005. Since then, employment has remained relatively stable at around 2,400 jobs.

Figure 40 plots retail sales over the past five years. As shown, there was little impact from the global downturn. Per capita retail sales - around $16,000 per person - are the third highest in Canada; just behind the Yukon and Alberta.

Figure 40: Annual Retail Sales ($ Millions) - Source: NWT Bureau of Statistics



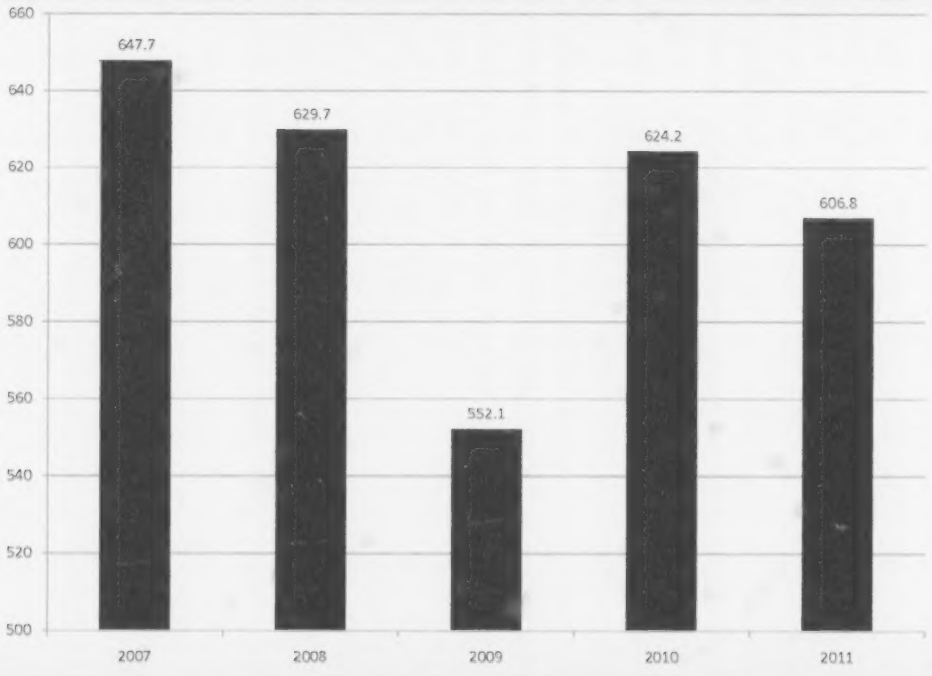
Wholesale

Wholesale trade, with annual sales exceeding $624 million in 2010, is a significant contributor to the NWT's economy. Sales in 2010 recovered from 2009, but remain below the 2007 peak. Overall, NWT wholesale businesses are one of Canada's top performers, with industry sales increasing 21% between 2006 and 2010 - the third fastest growth in Canada. Overall sales in the NWT are four times that of the Yukon.

The industry is less labour intensive than retail trade. Employment averages between 500-700 workers, compared to an average of 2,400 in retail. As a result of the 2008 economic downturn, the industry's average employment in 2010 fell to 586 workers, down from 641 in 2009.

Market size is critical to the industry's future development. With the likely development of a fourth diamond mine, plus the projected development of an additional three mines, there could be significant opportunity for new wholesale investment.

Figure 41: Annual Wholesale Sales ($ Millions) - Source: Statistics Canada



Construction

A substantial portion of construction sales are dependent on mineral investment as well as government capital spending. Historically, the industry consistently maintained a 10% share of total GDP, but in 2010, its share declined to 5%.

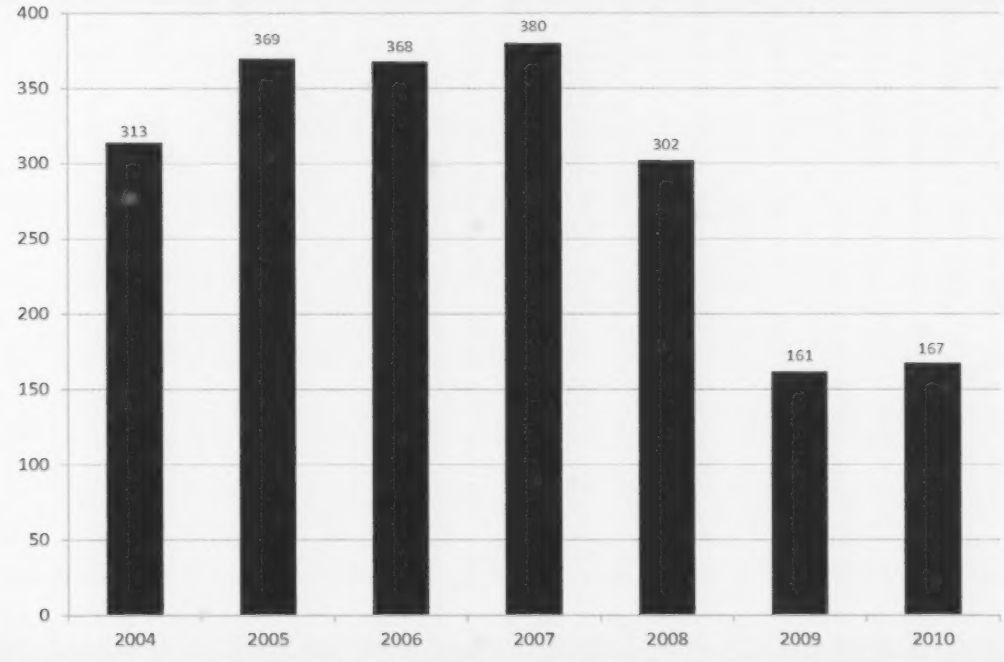
This decline originated with the significant economic downturn of 2008. Increased public sector investment partly offset this decline, but government capital spending decreased significantly in 2011.

Over the last four years, employment has averaged around 2,000 persons.

Many industry jobs require significant technical expertise. A shortage of skilled labour poses a significant problem, one compounded by competition from Alberta and Saskatchewan, especially for skilled trades. These pressures show no sign of letting up in the near future.

Industry growth will likely depend on new resource investment. A number of new mine projects are expected in the North Slave, and there is increased oil investment in the Sahtu Region of the NWT.

Figure 42: Annual Construction Industry Sales ($ Millions) - Source: Statistics Canada



Manufacturing

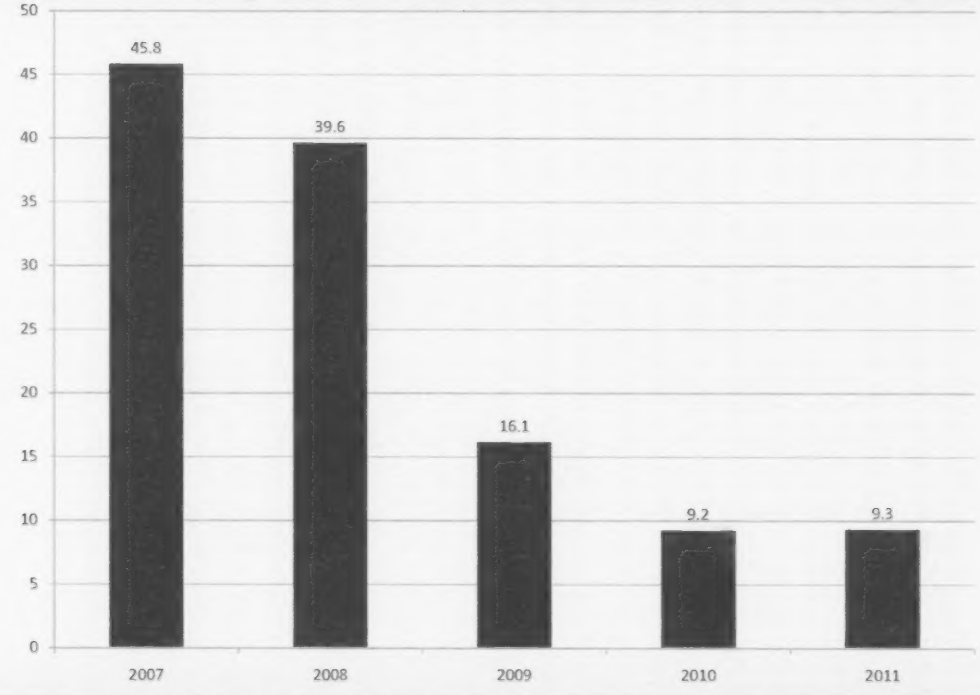
High costs, small markets and other related factors put the manufacturing sector in the NWT at a competitive disadvantage. As such, manufacturing in the NWT is likely to remain small-scale, filling specific needs of northern development.

One advantage the NWT has is access to raw materials, including access to quality rough diamonds. The NWT continues to promote the development of a local diamond cutting and polishing industry.

Growth prospects for the industry are dependent on the ability to attract experienced manufacturers who have the financial capacity to secure rough diamonds from NWT diamond mines.

Overall manufacturing sales have decreased from $64 million to $9 million over five years.

Figure 43: Manufacturing Shipment ($ Millions) - Source: Statistics Canada



Tourism

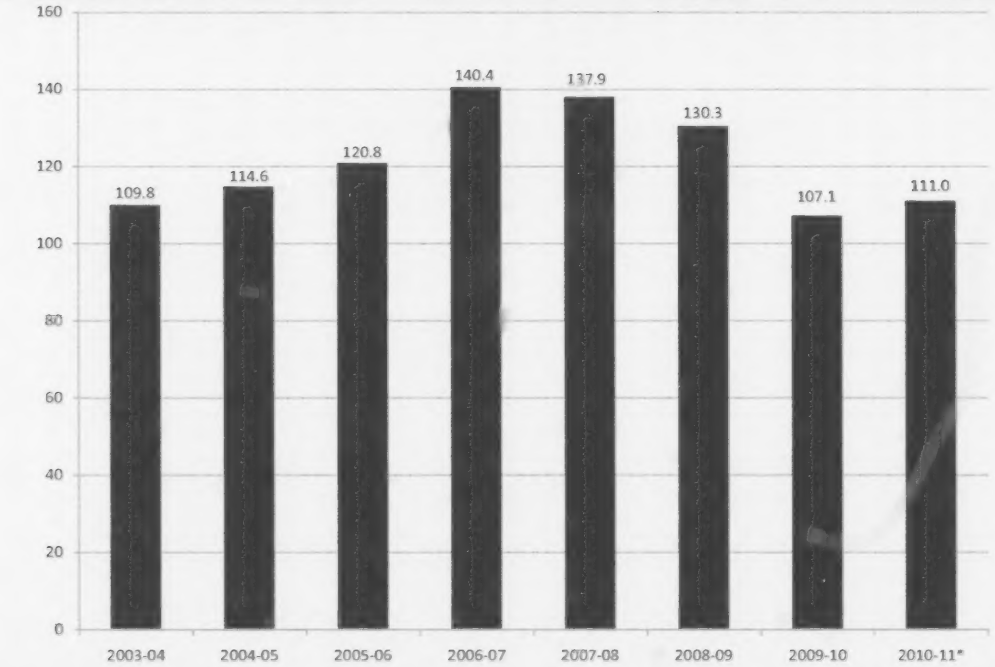
Tourism is an important part of the economy. Travellers come to the NWT for a variety of reasons, but typically fall into seven categories - aurora viewing, outdoor adventure, fishing, hunting, general touring, visiting friends and relatives, and business travel.

In addition to direct benefits, tourism provides an excellent market for local arts and crafts. Figure 44 shows total visitor spending since 2003/04.

The tourism industry is particularly sensitive to events and factors that play out on a global scale. These can significantly impact both leisure and business travel. With the 2008 economic downturn, Canadian and international travellers started to cut back on business and leisure travel. Since then, the market has started to recover and in 2010/11, business travellers spent $61.5 million while leisure travellers spent $49.5 million in the NWT.

Over the past decade, the NWT has been successful in expanding the Aurora viewing market. In 2010/11, Aurora visitors spent approximately $9.4 million, with the majority of travellers being from Japan.

Figure 44: Tourism Sales ($ Millions) - Source: ITI



Tourism Outlook

The latest forecast by ITI (Tourism 2015) predicts average annual growth of 2.8%. Within the industry, leisure markets will increase at 1.8% and business markets will increase at 3.7% annually. In the four market segments targeted for growth – general touring, outdoor adventure, aurora viewing and business – the average annual combined growth rate is forecast at 3.8%.

Angling is forecast to continue to decline. But, the forecast also projects growth in the demand for day fishing products and fly fishing. Hunting will remain at around $3 million annually, with possible modest growth forecast from growth in muskox and bison hunts.

Figure 45: Future Tourism Sales - Source: Impact Economics - ITI

Market	2010/2011	2015/2016	Absolute Change	Percent Change	Average Annual Change
	$ Thousands				
VFR*	$6,540	$6,766	$266	3.50%	0.70%
Fishing	$14,303	$12,679	($1,623)	-11.30%	-2.40%
Hunting	$3,036	$3,128	$92	3.00%	0.60%
General Touring	$9,175	$10,585	$1,410	15.40%	2.90%
Outdoor Adventure	$8,576	$9,960	$1,384	16.10%	3.00%
Aurora Viewing	$7,920	$11,005	$3,085	38.90%	6.90%
Total leisure	**$49,550**	**$54,123**	**$4,574**	**9.20%**	**1.80%**
Business	**$61,460**	**$75,432**	**$13,972**	**22.70%**	**3.70%**
Grand Total	**$111,010**	**$129,554**	**$18,546**	**16.70%**	**2.80%**

*VFR - Visiting Friends and Relatives

Tourism Impact Model

ITI worked with Impact Economics to develop an Economic Impact Model for the Territory's tourism industry. The Model calculates the impact of tourism volumes or spending on the economy, employment and wages.

The Model is able to estimate the economic impact of different tourism markets, such as hunters, fishers, adventure tourists, aurora tourism and business travel. In the following example, the Model is used to estimate the impact of a medium-sized business convention, as well as the impact of a new adventure tourism company.

Figure 46 lists the economic impact of hosting a business meeting with 360 non-NWT participants. The Model predicts this event will add $863,000 in new tourism spending, and almost $300,000 in labour income.

Figure 47 summarizes the impact of a new "Adventure Tourism" company. In this example, the company averages 120 new guests over the summer season, about 30 per month. This adds over $1 million in tourism spending, and almost 11 new jobs.

Figure 46: Estimated Economic Impact of a One-Time Business Meeting - 360 Guests - Source: Impact Economics - ITI

NWT Economic Impacts	Direct Expenditure	GDP at Basic Prices	Labour Income	Employment
	($000's)	($000's)	($000's)	(jobs)
Direct	863	4	4	0.2
Indirect		177	272	4.4
Total Open		180	276	4.7
Induced		35	21	0.7
Total Closed		**215**	**296**	**5.3**

Figure 47: Estimated Economic Impact of a New Adventure Travel Company - 120 Guests - Source: Impact Economics - ITI

NWT Economic Impacts	Direct Expenditure	GDP at Basic Prices	Labour Income	Employment
	($000's)	($000's)	($000's)	(jobs)
Direct	1,069	348	106	7
Indirect		187	285	4
Total Open		535	391	10
Induced		37	22	1
Total Closed		**571**	**413**	**11**

Energy

The abundant energy resources of the NWT are largely untapped and provide the territory with a strategic resource to support future economic development.

On the renewable energy side, with over 11,000 megawatts of hydroelectric potential, our northern rivers could be a source of clean, sustainable energy. In addition, there is also potential for the development of other renewable energy sources, including wind, biomass, solar and geothermal energy. Displacing imported diesel is a key long-term objective in the NWT.

The high economic and environmental price of fossil fuels points to the need to invest in hydroelectric capacity and renewable energy development in the NWT. Such as Governments, the private sector and households continue to explore alternative energy options such as wood pellet technology. This heating method is an alternative to diesel and can reduce heating costs. The combined annual consumption of pellets in the NWT is in the range of 12,000 tonnes per year. While biomass use is expected to grow rapidly, other technologies are beginning to be explored, such as geothermal power, wind power and solar power.

The GNWT worked with the Northwest Territories Power Corporation to launch the 60 kilowatt solar photo-voltaic installation at Fort Simpson and its effects on energy use are currently being monitored.

Figure 48: Solar Array at Fort Simpson - ITI

In the NWT there are three main sources used to generate electricity: natural gas, diesel fuel and hydro. Hydroelectric generation is used in eight communities in the Great Slave Lake area, while natural gas-fired power plants provide electricity to the communities of Inuvik and Norman Wells. The remaining 23 communities have electricity provided by diesel-fired power plants.

There are three suppliers of electricity in the Northwest Territories: NWT Power Corporation (NTPC), Northland Utilities NWT (NUL), and Imperial Oil Ltd (IOL). In addition the mining industry generates its own electricity at remote sites using diesel as a fuel source. Community and NWT electricity generation by source is shown in Figures 49 and 50.

NTPC is a GNWT Crown Corporation. It services 27 communities through the operation of 20 isolated diesel plants, a natural-gas-fired plant, and 6 hydro plants.

NUL consists of two companies. Northland Utilities (Yellowknife) Ltd. distributes hydroelectric power in Yellowknife and Northland Utilities (NWT) Ltd. distributes hydroelectric power in Hay River. Northland Utilities (NWT) Ltd. also generates and distributes diesel-electric power in four isolated communities.

IOL sells natural gas-fired electricity to NTPC for distribution in Norman Wells.

Figure 49: Community Electricity Generation 2010 (Total Consumption 309,045 MWh) - Source: NWT Bureau of Statistics

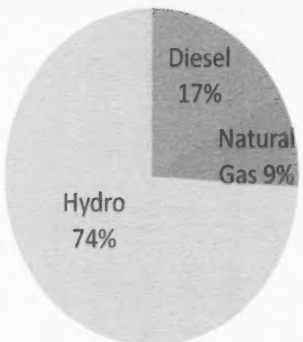


Figure 50: NWT Electricity Generation Including Industrial Consumers 2010 (Total Consumption 722,675 MWh) - Source: NWT Bureau of Statistics

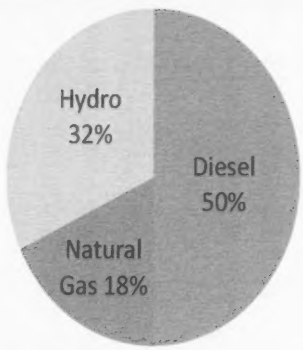
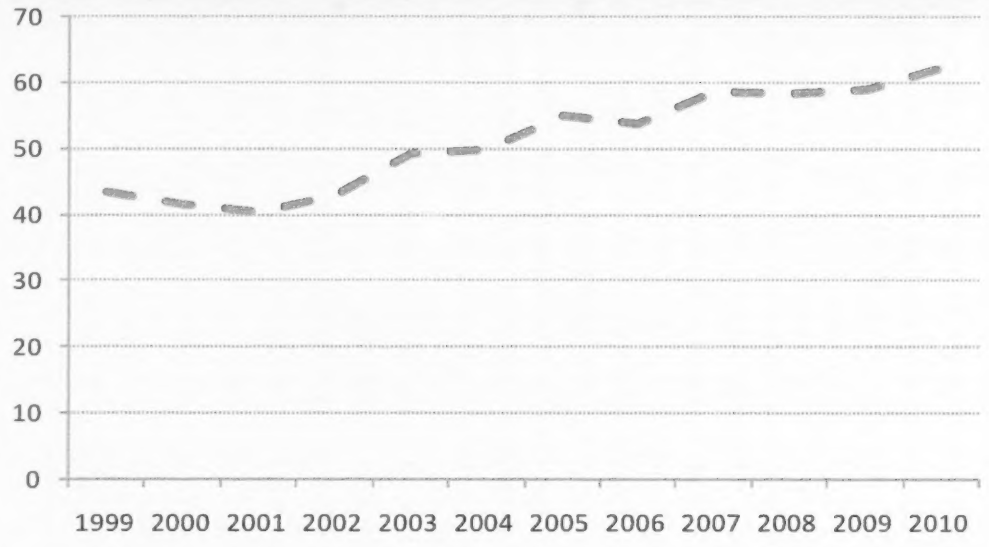
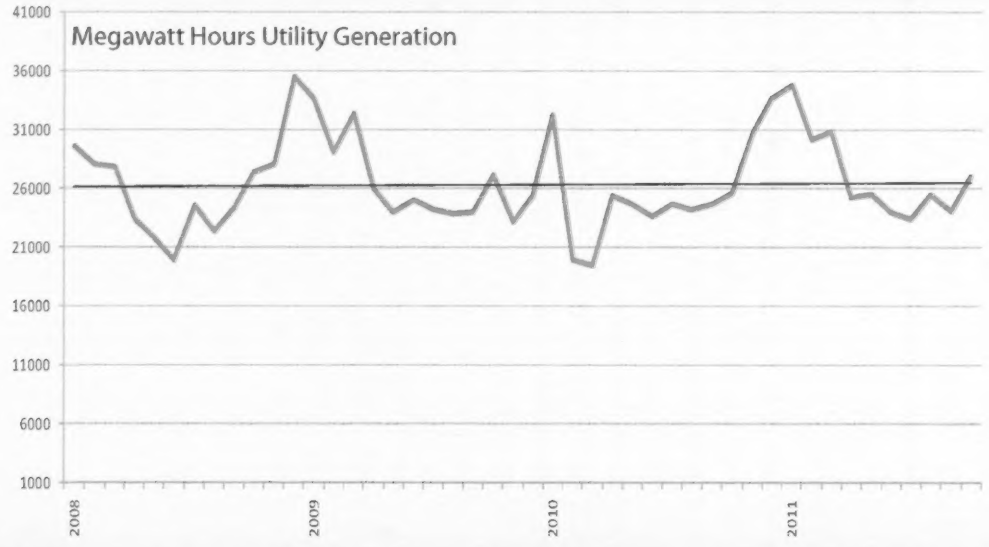


Figure 51: GDP Contribution by Utility Companies ($ Millions) - Source: NWT Bureau of Statistics



Utility companies contribute $62.4 million to the GDP. As shown in Figure 51 growth has been positive over the past five years.

Figure 52: Utility Electrical Generation in the NWT - Source: NWT Bureau of Statistics



Overall utility generation as shown in Figure 52 in the NWT has been relatively flat, aside from seasonal variations. With utility customers, winter consumption is significantly higher than summer.

In 2010, the GNWT completed a two year process to review electricity regulations, rates and subsidy programs in the NWT. Through this process, seven electricity rate zones were established, as shown in Figure 53. The revised electricity rates came into effect on December 1, 2010. As a result, the price of electricity in some smaller communities was reduced.

Figure 53: Source: GNWT publication titled, Efficient, Affordable and Equitable: Creating a Brighter Future for the Northwest Territories' Electricity System

Community	Zone	Generation Source
Colville Lake, Nahanni Butte, Sachs Harbour, Jean Marie River, Gamèti, Paulatuk, Wrigley, Tsiigehtchic, Tulita, Whatì, Déline, Lutselk'e, Fort McPherson, Ulukhaktok, Fort Good Hope, Tuktoyaktuk, Fort Liard, Fort Simpson, Aklavik, Inuvik	NTPC Thermal	Diesel
Norman Wells	NTPC Norman Wells	Natural Gas
Fort Smith, Fort Resolution, (Hay River)	NTPC Taltson	Hydro
Dettah, Behchoko, (Yellowknife)	NTPC Snare	Hydro
Fort Providence, Dory Point/Kakisa, Wekweètì, Trout Lake	NUL (NWT) Thermal	Diesel
Hay River, Hay River Reserve, Enterprise	NUL (NWT) Hydro	Hydro
Yellowknife	NUL (YK)	Hydro

Figure 54: Snare Hydro Complex - Source: NWT Power Corporation

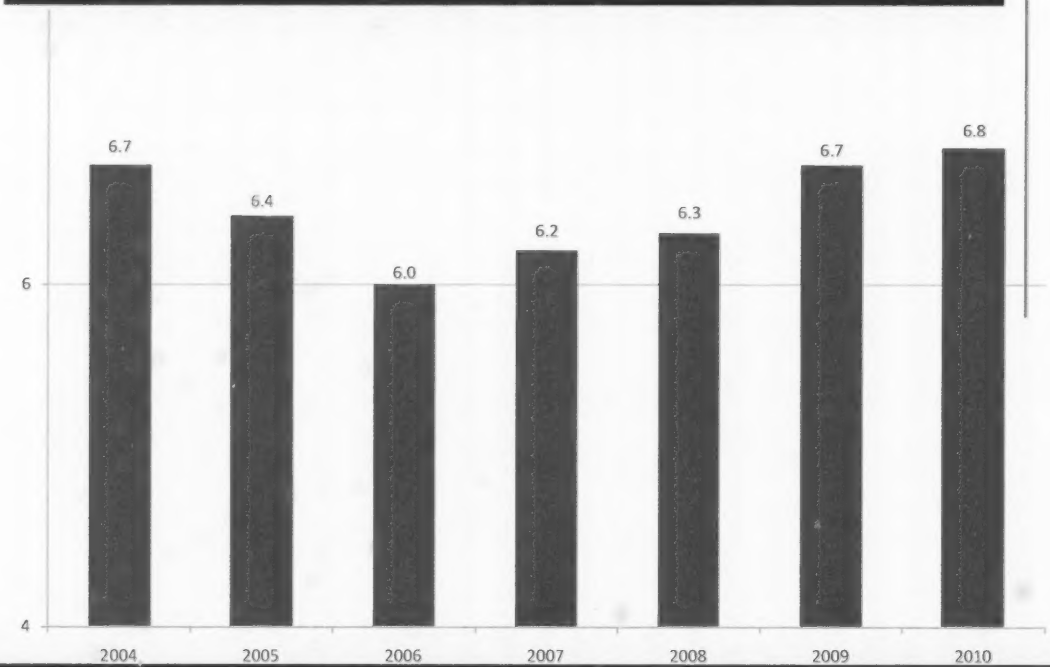
Arts and Fine Crafts

Just under 20% of the NWT's population is engaged with arts and fine craft production. Most business is nonprofit, focused on gifts, or items for household use. The industry also adds value and visitor satisfaction to tourism.

Based on an earlier household survey, almost half of artisans are involved with sewing or needle work. The second highest participation is in drawing and painting (27%).

Information on annual production is limited. However, GDP information is available for the arts, crafts and entertainment group as a whole. As shown in the chart below, the industry's contribution has shown steady growth since 2006.

Figure 55: GDP of Arts and Crafts and Entertainment ($ Millions) - Source: Statistics Canada



Today's NWT arts and fine crafts industry is quite diverse, and is characterized by a wide range of traditional and modern activities. Production is primarily a cottage-based industry. Individuals often produce and sell products independently, frequently out of their homes. Products are also sold to local retailers and cooperatives.

Figure 56 provides a breakdown of the number of participants by the type of art or craft they produce. Artists may produce more than one type of art or craft, hence the total for the number of participants in this chart is more than the number of total arts and crafts producers on the previous page. By far, the majority of participants in this sector create sewing or needle craft products, representing 50% of all goods produced, followed by drawings or paintings (10%) and carvings (8%).

Figure 57 illustrates that the majority of businesses surveyed identified as a retail business. There is a strong correlation between the retail and producer categories. This highlights the strong presence of self-producing businesses. A predominant number of respondents are artists and their retail business is operated around their own art or fine craft products.

Figure 56: Type of Art or Craft - Source: NWT Bureau of Statistics

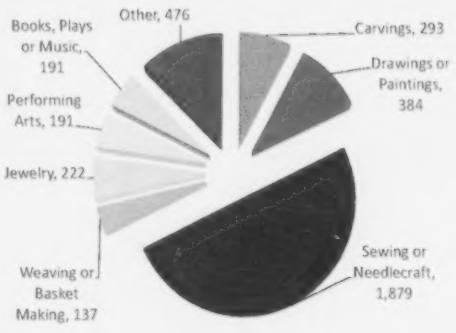


Figure 57: Type of Business - Source: GNWT 2008 Arts Retail Survey

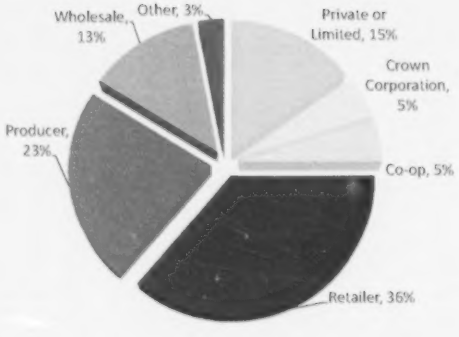


Figure 58: Ice Pilots NWT - Source: www.Pilotian.com

Film

Film, video, and digital media are the centre of a growing and dynamic industry in the Northwest Territories (NWT). Participation from local residents in the NWT is increasing and there are a number of projects currently in production. Experienced television and film professionals are available to offer their services and expertise to visiting production companies.

While statistics on the NWT film industry are limited, the growing economic force of the NWT film and media arts industry was documented in a 2011 sector study, A Review of Film Commission Mandates (Outcrop Communications Ltd., 2011). The study found that film and digital media activities, including website design, annually contribute about $9 million to the NWT economy. This includes about $5 million in wages. More than 100 people are estimated to be employed full time in the NWT film and media arts industry.

The NWT has also enjoyed some notable successes in attracting investment. Documentaries and television-based reality shows make up the majority of filming activity in the NWT for out-of-territory productions. In recent years there has been an increase in interest from television drama series and feature length film productions. These types of productions have very positive impacts on several sectors of the NWT economy, and create employment and training opportunities for local film industry members.

Figure 59: Filming in Yellowknife - Source: Black Swan and Coal Photography

Figure 60: Arctic Air Feature Series - Source: Omni Films

Ice Road Truckers (Original Productions Ltd.) was the first reality television series filmed in the NWT. In 2007, 3.4 million viewers tuned in for the series premiere which made it the most-watched original telecast in the History Channel's 12 year history. The series filmed two successful seasons in the NWT and aired in the United Kingdom, New Zealand, the United States, Australia and the Netherlands.

Gemini Award winning Ice Pilots NWT (Omni Film Productions Ltd.) is still going strong into its third season. It was also credited as being one of the History Channel's highest-ever ratings for a Canadian series.

Additionally, Discovery Channel's Licence to Drill (Exploration Production Inc.) documentary series used the NWT arctic region as the location for its third season.

Conservative estimates place the value to the NWT of these types of productions at approximately $100,000 in direct expenditures, each year, per production. This does not include private contracts whereby a monetary sum may be paid to an individual or business to participate in a show under an agreement made between the production company and the individual or business.

Other productions include the award-winning Tropicana commercial "Brighter Mornings for Brighter Days," which was filmed in Inuvik. It was estimated the filming of the Tropicana television spot in January 2010 brought $250,000 to Inuvik.

The most recent production and the first ever drama series to be filmed in the NWT is CBC's newest drama series, Arctic Air (Omni Film Productions Ltd.). The storyline is set in Yellowknife and makes reference to multiple communities throughout the territory. This series also drew the largest audience for the premiere of a new drama series in the last decade for CBC, with a total viewership of 1.05 million. It is estimated that in excess of $1 million has been spent on goods and services while filming on location in the NWT.

Both the Native Communications Society and the Inuvialuit Communications Society (ICS) develop a variety of productions each year for the national Aboriginal People's Television Network. They currently produce four to six documentaries annually and estimate costs at $60,000 per documentary.

It is difficult to predict future investment, but the NWT Film Commission will continue to promote and encourage filming activity in the NWT.

Figure 61: The NWT Ice Roads - Source: Jeri Hermann

Fur & Fish Harvesting

Hunting and fishing activities are important to many NWT residents. Participation is high in both urban and rural areas, ranging between 40 and 45 percent of the total population.

While commercial sales are not a huge part of the economy, trapping is an important source of cash income for almost all the NWT's small, traditional communities.

Fur sales have experienced a resurgence in recent years, increasing $362,000 in 2010/11 to reach $1.2 million.

ITI has invested significant effort in marketing furs, and in providing a basic level of price stability.

Both China and Russia are emerging as major markets for NWT fur. Muskrats are showing a surprising high demand and on average the price per pelt has doubled compared to 2009. NWT marten (sable) pelts continue to command high prices. NWT marten commands a significant premium over other provinces.

Figure 62: NWT Furs - Source ITI

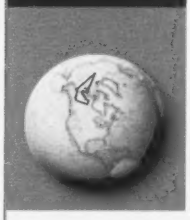
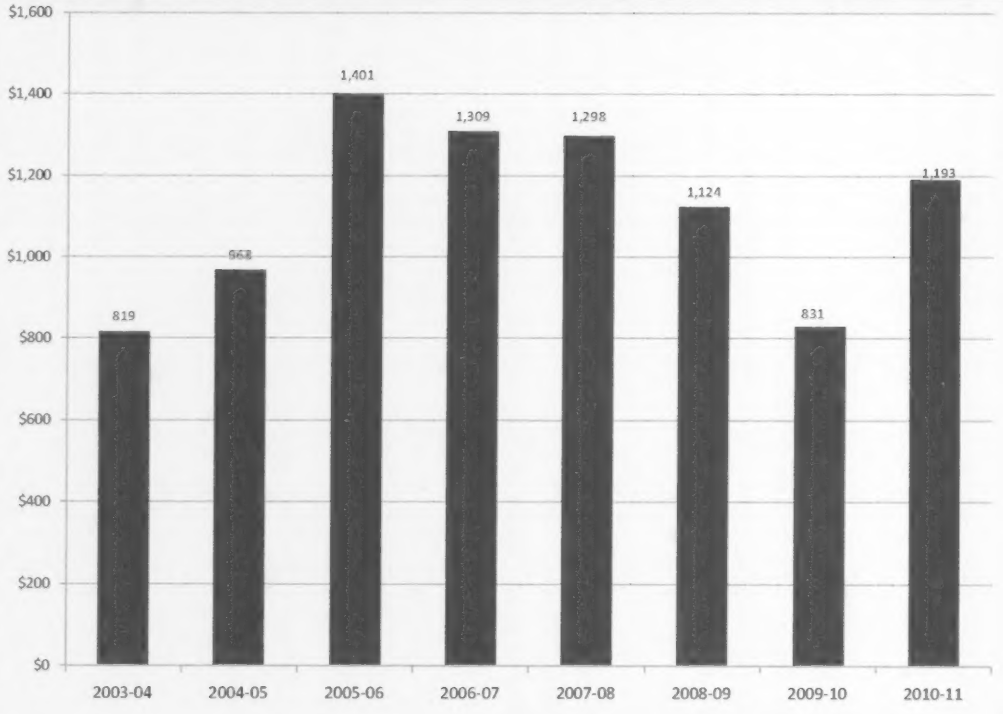


Figure 63: Value of NWT Fur Sales - Source: ITI



Sales of seal pelts continued to decline this year, with average prices in the $10-12 range. The Genuine Mackenzie Valley Fur (GMVF) Program is now paying harvesters above market, buying seals at $55 per pelt. This is made possible through a GMVF program that buys, tans and sells finished hides into the traditional craft market. The program breaks even.

A similar program has been developed for mid and lower grade beaver pelts.

Youth engagement in trapping is being encouraged through the very successful "Take a Kid Trapping" program.

Figure 64: Take a Kid Trapping - Source: ITI

Figure 66 plots the number of youth enrolled in the Take a Kid Trapping or Take a Kid Harvesting Program. Since the introduction of these ground-breaking programs seven years ago, they have proved extremely popular with youth and adults.

Program uptake grows on average by 14% per year. Youth participation has increased for both trapping and harvesting. The Bureau of Statistics reports a 44% increase in the number of youth trappers after the program was implemented, a mini resurgence after several years of decline. The youth harvester population has also grown by 28% since 2003, consisting of 18% of the total harvester population in 2008.

Figure 65: Take a Kid Trapping - Source: ITI

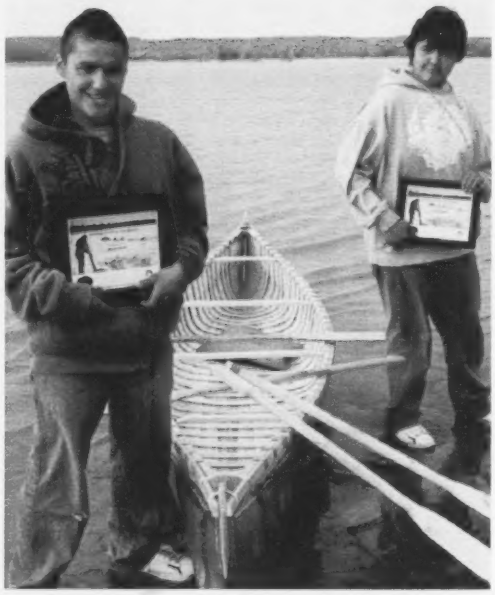


Figure 66: Participants - Take a Kid Trapping and Take a Kid Harvesting - Source: ITI

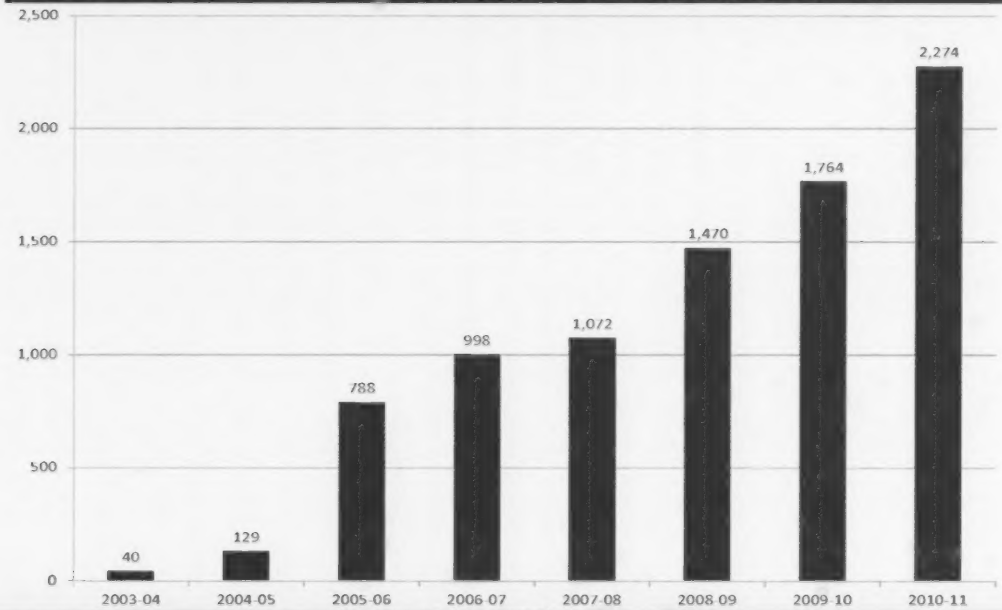
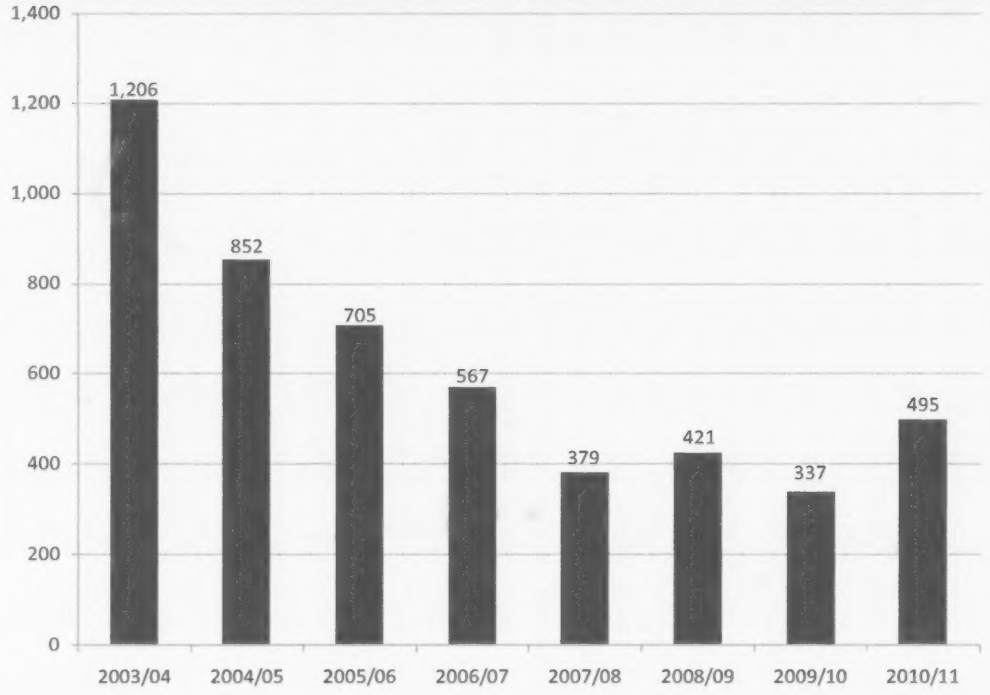


Figure 67: Value of Fish Landings in the NWT - Source: ITI



The NWT commercial fishery is based primarily out of Hay River. Since 2003/04, sales have declined from $1.2 million to just under $500,000 in 2010/11. The industry is being challenged by a labour shortage, high operating costs and distance to markets.

However, fish remains a critical food source for many households. In some markets, notably Yellowknife, fishers have been successfully selling fresh fish to local households, tourists, stores and restaurants. The quality of NWT fish is second to none.

Forestry

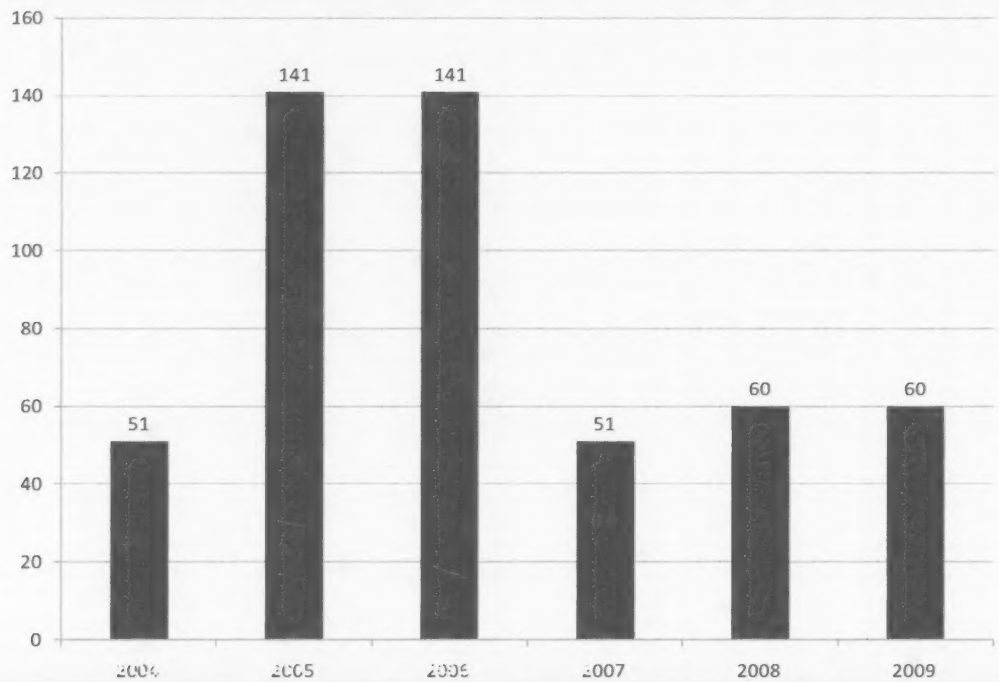
While the NWT has 12% of Canada's productive forested lands, there has been limited commercial harvesting since 2006.

In general, the NWT timber market is dictated by changes in North American demand and prices, which have been slumping in recent years. Like other sectors of the economy, forestry is competing for workers. At the same time, a rising Canadian dollar has reduced revenues, while rising fuel prices have increased costs. Logging operations also face an uncertain land access and environmental review process.

There is significant potential, especially for supplying local needs, and for supplying specialized products to industry, such as timbers for the mining industry and wooden mats for oil and gas exploration.

There is also a strong local demand for wood fuel. In regions with significant forest resources, up to one-third of households use wood heat.

Figure 68: Total Hectares Harvested in the NWT - Source: Statistics Canada



Agriculture

Agriculture in the Northwest Territories is a small but emerging sector of the economy. Motivated by high food costs, positive contributions to lifestyles, local product diversity, and increased awareness of nutritional values, participation in local food production is increasing in many communities in the NWT. Ranging from small community gardens to commercial greenhouses, regulated egg production and harvesting of "wild" edibles, the local food production sector has grown dramatically over the past decade. The agriculture sector generates approximately $8-10 million in income per annum in the NWT. The industry can be divided into three categories:

1. Small scale production;
2. Large scale production dominated by commercial egg production; and,
3. Commercial harvest of game.

Figure 69: Growing Forward in Fort Liard - Source: ITI

The Small Scale Food Program has grown to include all but the three most northern communities since its start in 2006. The mandate of the program is to create an environment within communities that encourages residents to work together to gain and share knowledge in growing food of their preference for community consumption. The Program provides volunteers with training, seeds and small tools. All sites that have been planted to date have achieved fair to excellent results. A range of produce is grown including beets, broccoli, brussel sprouts, cabbage, carrots, cauliflower, peas, potatoes, tomatoes, lettuce and turnips.

As communities gain confidence and expertise, requests are accommodated to place small greenhouses and expand the range of plants to include flowers, herbs, and fruit trees where deemed practical.

Figure 70: Wild Strawberries are Common in the NWT - Source: ITI

Conclusion

- The NWT has a rich resource base and the non-renewable resource sector continues to be the key economic driver. Development of a fourth diamond mine, Gahcho Kué, will move the economy into positive growth until the scheduled closure of the Ekati diamond mine in 2019. However, the negative impact of Ekati's closure can be offset by development of new mines such as Prairies Creek, Nico, Yellowknife Gold and Nechalacho.

- Renewed interest in Beaufort and Sahtu exploration should translate into new hydrocarbon development. For example during 2010/11, the Sahtu Region saw record land sales of 2.2 million acres with exploration bids of $534 million. The winning bidders intend to explore for tight oil potential by undertaking seismic and drilling activities.

Figure 71: Sahtu Oil and Shale Gas Deposits - Source: ITI

- Growth in the service sectors such as transportation, retail and wholesale trade are directly linked to resource development, population and investment trends. Until new development takes place in the territory, their contribution to GDP growth and employment is expected to remain constant.
- The construction industry is expected to continue to experience challenges over the next couple of years due to limited investment in both the private and public sectors. This is a direct result of the current economic environment. However, the long-term outlook for the industry is bright, especially with the development of new mining projects.
- The manufacturing sector in the NWT is relatively small but has significant potential for growth. This is especially true if Avalon Resources proceeds with its proposed hydromet plant in the southern NWT.
- NWT Tourism and individual operators have had success in rebuilding the tourism market after the world economic recession of 2008. Opportunities exist to further build on Aurora winter tourism in new, emerging, tourism markets. The diverse culture and rugged, pristine landscape ensures that the NWT is a perfect fit for the large and growing international tourism market. The sector is expected to post annual growth of 3% per year led by four market segments – general touring, outdoor adventure, aurora viewing and business travel.
- The NWT has an abundance of untapped energy resources that can support future economic development. This includes over 11,000 megawatts of hydroelectric potential and renewable alternatives such as wind, biomass and geothermal energy. Progress is being made in replacing imported diesel with alternate energy sources. For example, the GNWT has installed wood pellet boilers in many locations, which consume almost 4,000 tonnes of wood pellets. Diavik is currently installing four wind turbines at their remote mine site which are expected to reduce diesel consumption by approximately four million litres per year. New mining developments in the North Slave Region will increase the electrical utility market, creating opportunities to expand hydro capacity.

- The Arts and Fine Crafts sector has a significant economic and cultural impact in the NWT. Almost 20% of the NWT population is involved with Arts and Fine Craft production. The sector is expected to continue to grow as its unique products are sought after by tourists and residents alike.
- The NWT's unique landscape, environment and culture have contributed to its success in attracting film productions which generate significant spending for services. Arctic Air, Ice Pilots NWT, Ice Road Truckers and License to Drill have made the NWT a leader in documentaries and reality TV shows.
- The renewable resource sector includes agriculture, fish, fur and forest harvesting. This sector is important because it includes traditional activities, generates cash income and helps to reduce the cost of living in the North. For example, the agriculture and fur sectors are making a comeback as community gardens are being expanded and more youth are getting involved through programs such as Take a Kid Trapping. The market for both fish and forestry products are negatively impacted by flat external demand and the strength of the Canadian dollar. The future for both fishing and forestry appears to increasingly depend on the NWT market – selling fish to the northern consumer and institutional market and using timber as a fuel.

Partner Web Sites and Agencies

Industry, Tourism and Investment partners with a number of private sector organizations to promote investment and development.

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